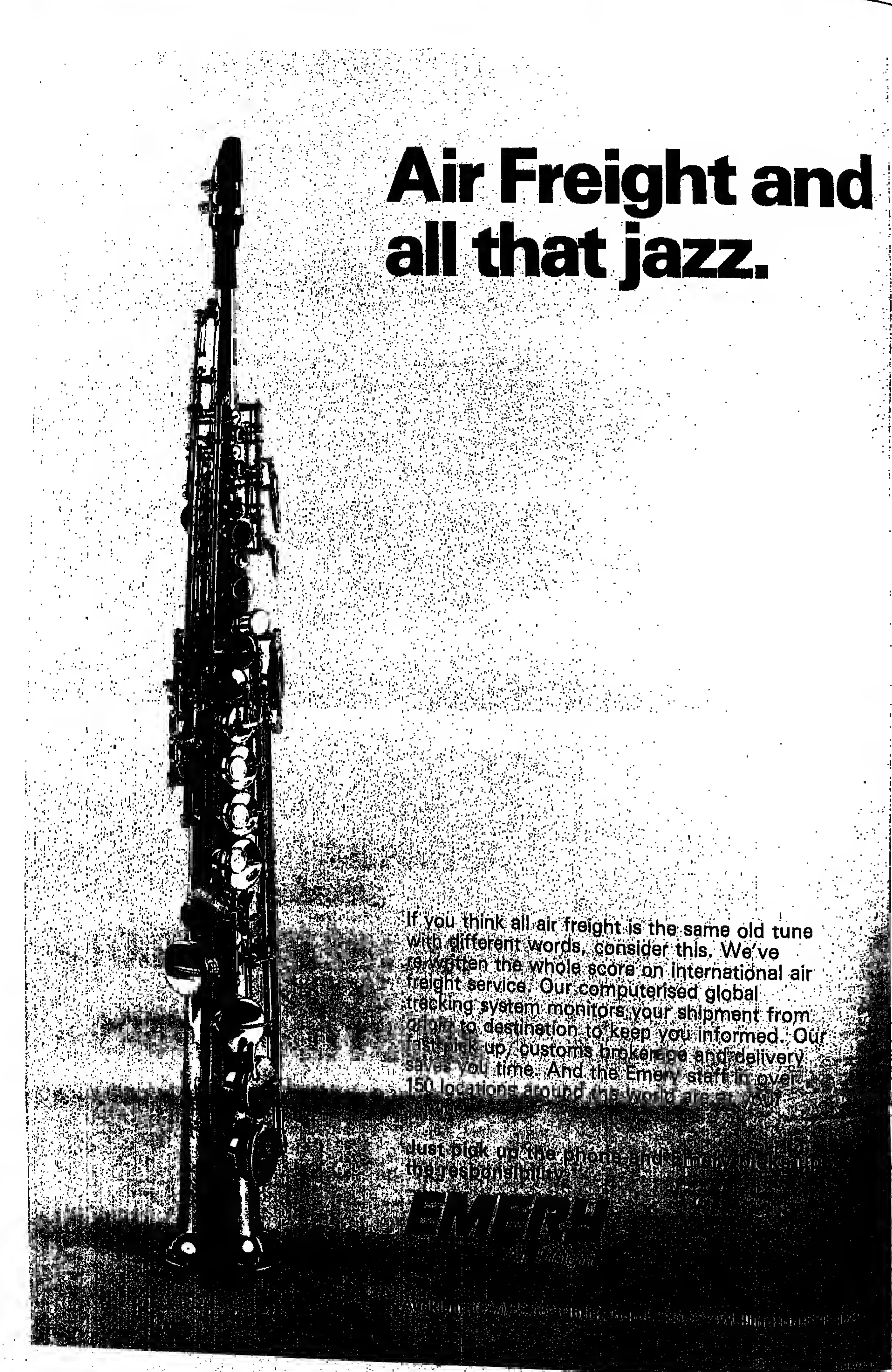

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents

Inside

Methanol: plant size will affect management package

Energy Reporter

THE stage is set for another round of lobbying to determine the precise structure for the consortium that will export Maui methanol.

It is clear the key to the "mix" of state, private and overseas interests in the eventual management package lies in the size of the plant the Government has opted for.

Late last week it was known the 1200-tonne-a-day plant proposed by Petrocorp had the edge on the rival 2000-tonne-a-day plant proposed by BP. If Cabinet concurs with officials and announces such a plant, it is almost impossible that a compromise management scheme will be negotiated incorporating all the interested parties.

Such a compromise would mean a fundamental change to Petrocorp's plans to have New Zealand interests holding 51 per cent of the action, with Alberta Gas and Chemicals taking the rest.

In short, there is no place for BP, Shell and ICI in the Petrocorp scheme.

Both camps have constructed their individual management proposals around their hardware and marketing, and there is little room for compromise, without one of the major contenders losing out.

But the Government has made clear that New Zealand interests will get to hold 51 per cent, with Petrocorp (or another state agency) taking around 10 per cent.

One official closely involved said last week: "It boils down to either Alberta Gas or BP-ICI-Shell-Mitsui Tohatsu taking the foreign shareholding".

Treasury has been concerning itself with the dilemma, and Petrocorp is certain to be involved in the investigation.

Three methods of "re-arranging" the young state company have been suggested to *NBR*:

- Split the company at the bottom (and so create smaller concerns);
- Convert Petrochem (Petrocorp's subsidiary) into a public company;
- Convert Petrocorp into a public company.

If officials convince themselves that any form of carve-up is necessary for the petrochemicals era, the fortunes of the Petrocorp executive could be in some doubt.

Pressure from within the National Party has already turned the attention of Cabinet ministers to the management at Petrocorp House.

By late last week, at least one person had been approached to test his reaction to heading any new State representation.

Whatever comes of the political "footwork", it is clear the state intends to be represented. That consideration is regarded as crucial to the ongoing effort to convert Maui into import substitutes and overseas dollars.

A state agency which can comfortably work alongside private interests will mean more than just a successful methanol project. It will also ensure a comprehensive future petrochemicals industry.

The problem confronting officials is how that agency can be slotted alongside New Zealand and multinational interests to build up the most advantageous consortium.

Lobbying among BP company aims

by Rae Mazengarb

LOBBYING members of Parliament and overcoming opposition to its projects and plans is among the objects of a company set up by BP New Zealand Limited in conjunction with BP Oil Exploration Co of NZ Ltd.

According to BP executives, the new company — BP Petroleum Mining Company Limited — is another exploration company, and there is "nothing new" in the framing of the documents of incorporation.

And company records show that the objects listed in the company's memorandum are similar to those of other BP companies.

Industry sources suggest that BP Oil Exploration Co of NZ Ltd can already involve itself in new ventures and question the need for the new company.

BP Petroleum Mining Company Limited was incorporated on January 22 1980 as a private limited company with share capital of $9,050,000.

On the same day, the company resolved to increase its nominal capital to $24 million, with BP Oil Exploration Co of NZ Ltd subscribing to 14,950,000 one-dollar 10 per cent redeemable non-cumulative preference shares.

It is unclear from Companies Office files if the capital is fully paid up.

Justice Department officials say there is no obligation on a company to state if shares are fully paid up when they are created by ordinary resolution until the annual return is filed.

Directors listed on the file are Simon Downs, Charles Stone and David Kendall. Secretary of the company is John Farrell.

According to BP managing-director Kendall, the new company is "entirely an internal thing".

He explained that the company was to be used for oil exploration — the work the company hopes to undertake later this year.

BP had decided to put this new work into "a different box".

He said the capital formation was "appropriate" both to do the work and to the new tax regime.

According to industry sources, under the new tax law a "petroleum/mining" company can carry on any form of activity it chooses. Under the previous regime, such a company had to have mining, or exploration as its main purposes.

Company secretary Farrell said the tax legislation, applying to exploration companies had become complicated. Rather than worry about different rules applying to different projects, BP had decided to establish a new company "to make things rational".

One industry source suggested $24 million was a lot of money to use for any exploration venture likely to be embarked on in the near future, specially as it would merely be BP's contribution to a consortium.

But Kendall said exploration was an expensive business.

The preference shares may have been bought up with the intention of hiving them off later to consortium partners.

According to company

Continued on Page 16

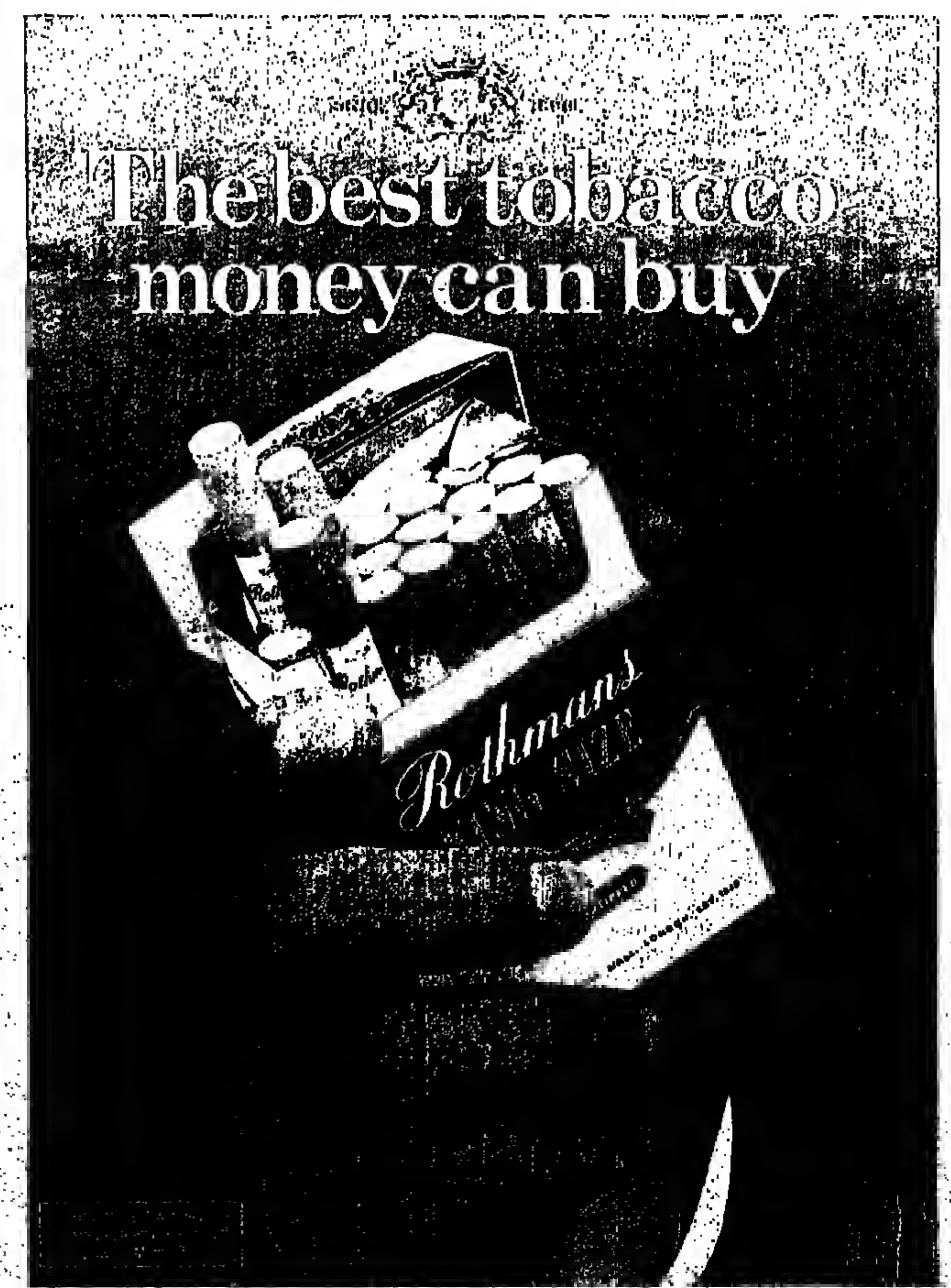
NBR price rise

FROM this week's issue, the subscription and cover prices of *National Business Review* have increased.

The annual Subscription to *National Business Review* (including two *NBR Outlooks*) is now $25.00 and issue cover price is 75 cents.

Naturally, Fourth Estate Newspapers regrets these increases but they are the direct result of large cost increases in several areas.

Managing director Reg Birchfield says: "An 80 per cent increase in postal rates, higher newsprint prices announced on January 1, and major increases in wage rates have all added significantly to publishing costs and forced the need for a subscription rate lift."



Kinleith deal spiked

THE GOVERNMENT intervened in the Kinleith dispute to cut down the pulp and paper mill workers' negotiated wage settlement back from 20.5 to 18 per cent. Both management and the Federation of Labour were strongly critical of the move. NZ Forest Products had hoped to negotiate a voluntary settlement, not one regulated by Government. FOL president, Jim Knox, indicated that the FOL might withdraw its co-operation with the Government. Meanwhile, businesses are already facing shortages of paper which could become critical in the next few months.

RETAIL sales during the December 1979 quarter were up by 17.4 per cent over the same quarter in 1978.

THE general price index for year to December 1979 was 21.9 per cent higher. Goods and services went up by 5.9 per cent compared with a 4.9 per cent rise in the September 1979 quarter. Rises in input prices were largest for the transport and storage group, 11.5 per cent; the chemical, petroleum and plastics group, 9.8 per cent; and the forestry and logging group, 8.7 per cent. The main individual item contributing to the increase in the three groups was fuel oil, crude oil, and contract logging, respectively.

A CONFIDENTIAL discussion paper on wage indexation is being prepared for the Government for a conference with employers and the Federation of Labour.

ARMED forces are going on a $40 million spending spree this year for new Scorpion armoured cars, trucks, new weapons loading systems for Skyhawks and five small ships for the navy. But the navy will not be getting a new frigates.

THE lamb price schedule went up by 4 cents a kilogram for the first time since the season began. It is hoped that the price rise will make the prospect of slaughtering more lambs attractive; at the moment the national lamb kill is about two million carcases behind.

WIDESPREAD violence and strikes protesting against the Soviet presence in Afghanistan appears to have weakened the Soviet-backed Government. More than 300 civilians died in street fighting. Civil servants and shop keepers kept on with their strikes.

Record gasoline price increases pushed the United States consumer price index up 1.4 per cent in January, the highest monthly increase for six year.

BRITAIN'S eight week old steel strike showed signs of weakening when employees of private steelmakers defied union orders and went back to work. But there were no cracks at the State owned British Steel Corporation where the pay dispute started. Private firms had warned they would close down permanently if the workers did not return. Margaret Thatcher's Government is still refusing to intervene.

EGG Marketing Authority and New Zealand Poultry Board legislation will go through Parliament early in this year's session.

COOK Strait ferries returned to normal sailings for the first time in almost three weeks as ordered by the Shipping Industry Tribunal. The tribunal also told the Railways to come up with a proposal to resolve the hours of work dispute. It is expected the revised sailings proposed by the Railways last week will go someway to meeting the requirements while cutting fuel bills by $2.5 million.

TRIAL shipments of export coal were expected to be despatched "fairly quickly" to potential customers following the recent overseas marketing trip by top Mines Division officials, according to the sales manager of State Coal Mines, J F Smith. He said satisfactory progress had been made in negotiations with a number of overseas companies, including steelmaking firms, manufacturers of foundry coke, and other firms making coke for special ferro-alloys.

COOK Strait rail-air rates will go up by 10 per cent if the Air Services Licensing Authority approves the Railways application on behalf of Safe Air Ltd on March 6.

THE Government will make it illegal for employers to give boiler attendents an $8 a week registration payment. But the boiler attendents' national secretary, Bill Andersen, promised they will get it "one way or another".

WATERSIDE workers have placed a ban on the handling of all export fish and blocked the unloading of the Wessermunde at Bluff and a Russian trawler in Auckland.

THE Motor Trade Association is asking the Government to increase retail margins on petrol. Rotorua garage proprietors are refusing to open on weekends and public holidays until margins are increased.

CARTER trounced Kennedy in the first American primary election in New Hampshire and Reagan scored an easy victory over George Bush for the Republican presidential nomination. He now seems unbeatable, though Kennedy is expected to win his home state, Massachusetts, this week unless he decides to withdraw.

PHARMACISTS will get $1.80 a prescription, a 13.46 increase, from April 1. But the mark up on medicines is being reduced from 20 per cent to 15 per cent.

The business week

Crown Consolidated increased unaudited tax-paid profit by 32.2 per cent to $49,567 for the six months to December 1979. An interim dividend of 7.5 cents is payable on April 7.

Dunlop NZ Ltd raised pre-tax profit by 24 per cent to $7,941,000 for 1979.

Hume Industries NZ Ltd reported an unaudited pre-tax profit of $795,000 for the six months to December 1979, down on the previous six months' result of $860,000. Interim dividends are payable on March 31, 5 per cent on ordinary shares and 3.75 per cent on A preference shares.

Lloyds Bank Group Ltd reported a pre-tax profit of £183.4 million for the year ended December 31, compared to £126 million for the previous year. A final dividend of 8p is payable on April 3.

Network Finance Limited reported a tax-paid profit of $A947,000 for the six months to December 31 1979, compared with $A1,163,000 for the same period the previous year. An interim dividend of 3 cents is payable on March 31.

Placer Development Limited reported consolidated net earnings of $74,528,000 for the year ended December 31 1979, compared with an increase of $38,528,000 on the previous year. A final dividend of $5.15 will be paid.

Reid Farmers Limited reported an unaudited pre-tax profit of $548,000 for the half year ended December 31 1979.

Hepen Limited reported an unaudited tax-paid profit of $A10,040 for the six months to December 31 1979 compared with $A11,971 for the same period in 1978. An interim dividend of 4½ cents is payable on March 31.

Scott Group increased unaudited tax-paid profit by [illegible] per cent to $301,000 for the half year to December 1979. An interim dividend of 2 cents is payable on April 2.

Smith and Brown and Maple Furnishing Ltd report an unaudited tax-paid profit of $730,000 for the half year to December 31 1979, compared with $876,000 for the same period in 1978. An interim dividend of 7 per cent is payable on March 17.

Southern Cross Hotel Dunedin Ltd reported an unaudited tax-paid profit of $10,665 for the six months ended October 31 1979, compared with $28,286 in 1978.

TNL Group Ltd reported an unaudited tax-paid profit of $1,963,000 for the six months to December 31 1979, compared with $1,255,000 for the same period the previous year. An interim dividend of [illegible] cents is payable on June [illegible].

Westwood Holdings ltd recorded a tax-paid profit of $A1,246,000 for the half year to December 31 1979, compared with $A1,285,000 for the same period the previous year. An interim dividend of 4.75 cents is payable on April 28.

The week ahead

MONDAY: The British Society of Motor Manufacturers and Traders Ltd arrive on a trade mission until March 8.

TUESDAY: Cabinet economic committee is expected to decide on the size of the Taranaki methonal plant.

Blood Transfusion National Conference, in Dunedin.

WEDNESDAY: Capital Life Assurance Limited's annual general meeting in Auckland.

THURSDAY: Waitaki NZ Refrigerating Ltd's annual general meeting in Christchurch.

SUNDAY: Wholesale Hardware Federation's annual conference in Wellington.

Exchange Rates

As at February 28, 1980, $1NZ is worth:

Australia	[illegible]
Britain	.430
Canada	1.1118
Fiji	.9885
Japan	239.34
West Germany	1.6961
USA	.9685
Austria	12.17
Belgium	27.54
China	1.4548
Denmark	5.2939
France	3.9750
Greece	37.48
Hong Kong	4.7687
India	7.2004
Italy	785.47
Malaysia	2.1071
Netherlands	1.8691
New Caledonia & Tahiti	72.59
Norway	[illegible]
Pakistan	[illegible]
Papua-New Guinea	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sri Lanka	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
Western Samoa	[illegible]

Mr. Donald, MacDonald National Sales Manager, Ralta Ltd; (left) and Mr. Ken Carney, Sales Manager, Hygrade Carton Division.

The week

T and I crackdown on illegal car-trade sales

by Warren Berryman

TRADE and Industry is investigating car dealers who are alleged to have been getting as much as $7000 above the new car list-price for supposedly used, prestige model cars brought into this country under import licence.

Investigations are being conducted into possible breaches of several laws that deal with:

- Profiteering;
- Mandatory trade-ins that require consumers to accept rock-bottom prices for trade-ins as a condition of buying short-supply prestige model cars:
- The use of stooges by car dealers to increase by as much as $7000 the price-controlled, list-price of cars brought in under import licence.
- Hire-purchase regulations that require a 60 per cent downpayment on station-wagons. They are being sold as commercial vehicles exempt from the regulations.

Trade and Industry has been advising consumers how to avoid gouging by car dealers. Consumers have also been advised how they might help the department by obtaining court-worthy evidence against dealers engaged in illegal activities.

Trade and Industry sources, say prosecutions are now in train.

The enquiry into premium prices for prestige cars has centred on the Mazda RX7. These cars are not assembled in New Zealand. Demand is high, but import licences for only about two dozen have been issued.

The list price for a Mazda RX7 is legally controlled at round $18,500.

Last year the Honda Accord and before that the Fiat X19 prior to New Zealand manufacture had attracted Trade and Industry attention.

Trade and Industry sources say they suspect the widespread use of stooges to jack up prices above list price. Dealers sell to a stooge (a mate) for list price. The stooge resells the car to the dealer or an associate at $5000 or so more than he paid for it, and the dealer sells the car on the open market as a used car for $7000 or so above the list price.

All parties get together to split up the spoils.

Trade and Industry investigators are drawing the connections between stooges and dealers.

Because import licensing keeps the demand for these cars well above supply, genuine buyers are turned down when sales are made to stooges. Genuine consumers wanting the car for their own use are often forced to buy the car "used" at inflated prices.

Consumers are also being gouged by the widespread practice of the mandatory trade-in, Trade and Industry sources said.

A favoured few are granted import licences to bring in fully made-up prestige cars.

Licences are granted by Trade and Industry on a historical basis (those with a history of previous licence get new licences). New comers don't get a look in.

Because prestige cars are in short supply, and because they can be bought at list price in the morning and sold in the afternoon as a used car for thousands more than the purchase price, importers sell them to favoured customers.

Some dealers sell only to customers with a long history of trading.

Others demand that the customer trade-in his present car at far less than its market value to be able to buy the new car. These dealers get their premium price from the prestige car when they sell the trade-in bought at rock-bottom prices.

Mandatory trade-ins are illegal. But Trade and Industry investigators say dealers are careful in covering their tracks so prosecutions are few.

Trade and Industry has been advising consumers to talk to dealers with a witness present rather than by phone.

When customers go to pick up new cars, they are advised to do so with a witness.

They are also advised to spot the cars on the showroom floor, ask if that is their car, be ready with a cash cheque and leave the dealer no room to back out of the deal without admitting before a witness that their car won't be available until they come up with a trade-in at the dealer's price.

Investigations into hire-purchase regulation breaches involve sales of stationwagons as commercial vehicles to circumvent the requirement of a 60 per cent deposit.

In many cases the only difference between a commercial vehicle and a stationwagon is a back seat. A customer can buy a van, exempt from hire purchase regulations, and put in a back seat to make it a stationwagon.

Retailers review stance on Saturday trading

THE Saturday-trading issue is being re-evaluated by the Retailers' Federation.

The federation has been opposed to Saturday trading. But on February 19 federation executives voted 11 to one on a resolution that said member attitudes were changing and the *status quo* could no longer be maintained.

The Auckland executive of the federation has already supported the resolution.

The federation's annual conference will be held Wellington on March 10-11.

Federation executives fear an alliance between shopkeepers, drivers and storemen and packers unions and a reaction to the Saturday trading issue that could disrupt business.

Meanwhile Fletchers Trust and Investment, turned down on a Saturday trading exemption for its Wainuiomata shopping mall by the Shop Trading Hours Commission, will apply for a judicial review of the decision.

Fletchers may question the commission's rejection of a Heylen survey showing public demand for Saturday trading, and argue that the commission went beyond its proper jurisdiction in considering the "catastrophic effect" that Wainuiomata Saturday opening would have on shops in Wellington and the Hutt Valley.

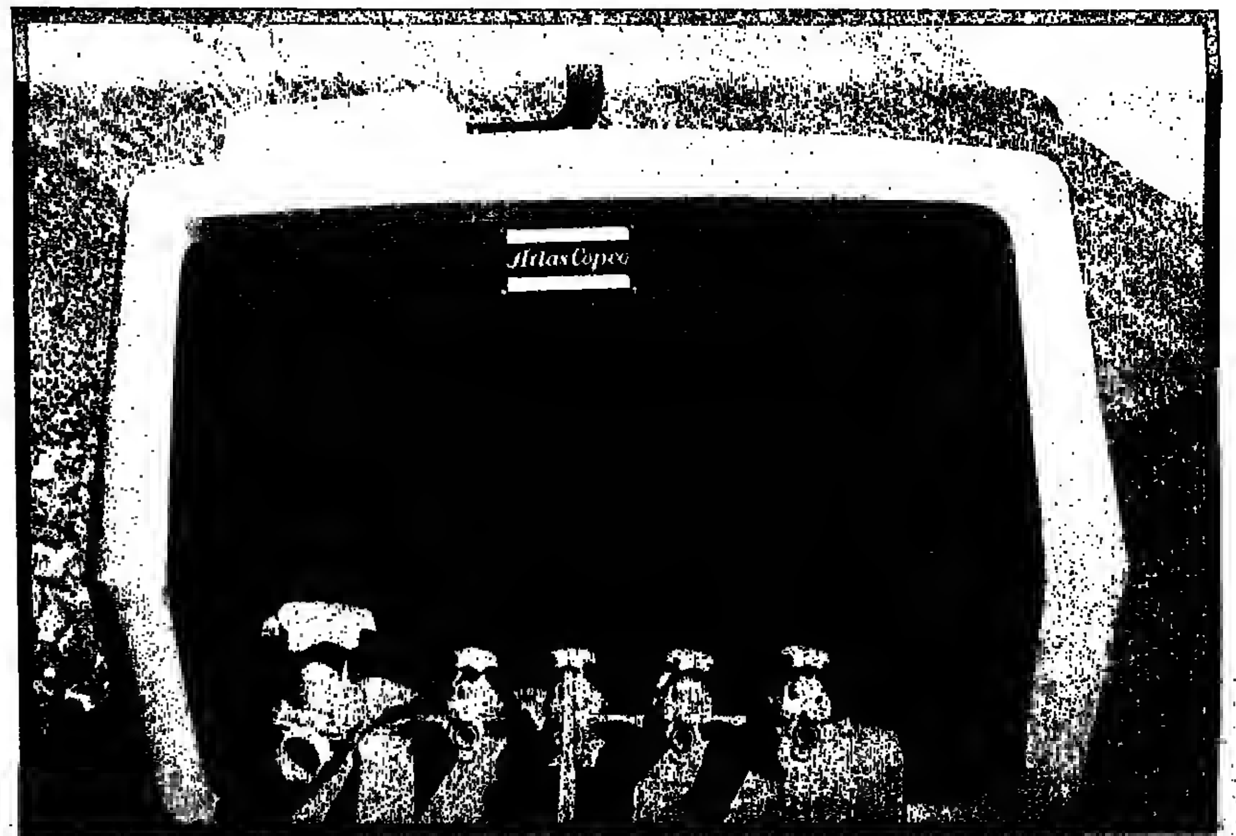
Textile plan response

TEXTILE and Garment Federation president John Penny last week delivered a "low key" response to the Government's decision to implement the bulk of the IDC's report on the textile industry.

Given that the decision was a difficult one for Government, the textile trade had reacted passively, observed one manufacturing source.

As Penny himself pointed out – after the industry had had a week to muse over the fine print – "The thrust of the IDC report was for development which is why it has been broadly accepted by the industry."

But he said until Government finalises details concerning restructuring and adjustment assistance, it will not be possible for firms to construct their own development plans.



The week

Tap water rulings split wine industry front

by Warren Berryman

AS the Health Department drafts new regulations governing the amount of tap water allowable in New Zealand wines, cracks were showing last week in the "united front" presented by the wine industry.

Last year it was established that the industry could transform half a measure of grape juice into a full measure of wine.

Various studies showed tap water was being added.

Health regulations provide that wine must be made from pure New Zealand grape juice.

But there weren't enough grapes to meet the rising demand for wine.

The Wine Institute is lobbying for regulation changes to permit the addition of tap water — probably up to 3 per cent in premium wines and up to 25 per cent in table wines.

The institute is also lobbying against import licencing charges, to permit the importation of grapes to meet a grape shortfall. It is pushing for higher tariff barriers and import licensing restrictions to separate the local consumer from good cheap imported wines.

But it does not speak for all winemakers.

Last year Penfolds was licensed to import $250,000 of grape concentrate (also called grape sugar).

Penfolds argued that only half the grapes were available for the quantities of wine being produced, and because water and cane sugar were already being used, why not use grape sugar instead?

When the grape sugar arrived Montana, Cooks, McWilliams, and Corbans slapped an injunction on Penfolds.

The matter was settled out of court and Penfolds wound up using much of its grape sugar to manufacture grape and apple juice.

Penfolds was not the only winemaker with applications to import grape sugar. Others applied, but dropped their applications when things hotted up.

Penfolds' antagonists won by making reference to regulations which were already being broken by the addition of tap water.

The Wine Institute maintains the grape crop will be sufficient for the amount of wine to be produced this year.

If wine is defined in the new regulations as grape juice plus plenty of tap water, there might be enough grapes. If wine is defined as fermented grape juice, there is likely to be a shortfall of grapes — and winemakers will have to fight it out for scant supplies. Those with their own vineyards will have an advantage.

Penfolds has been lobbying Health and Trade and Industry officials in particular with the argument that there will be a 40 per cent shortfall of grapes. It hopes to be given permission to import grape sugar.

Other wine interests are preparing to bring another injunction on the company if Penfolds is successful.

Penfolds managing director Frank Yukich acknowledged last week he had approached Ministers with his case. But he had not made formal application for an import licence, he said.

Yukich said that winemakers should be allowed to import grape sugar, grapes, or grape juice to make up the predicted shortfall rather than dilute wine with water.

And he says it would also be in the long-term interests of the industry to import foreign wines if there is a local shortfall.

Yukich said the grape shortage would take up to four years to overcome. To change the Act now and allow the watering of local wines to overcome a temporary shortage of grapes would be a retrograde step.

Penfolds relies entirely on contract grape growers for its supplies. And its wine-marketing abilities have out-distanced its ability to obtain grapes.

Penfolds has a man in Hawke's Bay seeking grape supplies.

Late last year, Penfolds tried to take over Cooks Wines. But, the Examiner of Commercial Practices indicated his disapproval and Marac, the major shareholder in Cooks wishing to sell, was not willing to test the matter. Marac sold its shares elsewhere.

The most interested parties, the wine consumers, are being kept in the dark by a veil of Government secrecy.

The Health Department conducted a study of 60 wines and acknowledged that the regulations had been breached by the addition of tap water. No prosecutions have been mentioned by the department. Rather the regulations are likely to be changed to make lawful the unlawful.

The Health Department refuses to reveal the results of its tests to the public.

The consumer, who financed the department's information, just has to take his chances in the marketplace.

Conflict with test results — Page 27.

Egg industry in delicensing scramble

by John Draper

ROTTEN eggs galore will be tossed at the Government if it insists on deregulating the poultry industry as suggested by a caucus sub-committee.

The committee wants to progressively devalue "entitlements" — a poultry farmers' licence — thereby eliminating the goodwill attached to the sale of a poultry business.

A year ago Agricultural Under-secretary and chairman of the caucus agricultural committee Rob Talbot let the fox into the henhouse at the poultry farmers annual conference, telling them the days of regulation and control were over. He slammed the Egg Marketing Authority's "abysmal" marketing policies.

At this year's annual conference last week, Talbot was careful not to break any more eggs. He even praised the authority's "sports egg" promotion to be released soon.

The Poultry Board and Egg Marketing Authority, which will be amalgamated legally later this year although in practice they have long been one, has agreed to the caucus sub-committee's proposals in the short term.

Entitlements now worth $5 a bird will be devalued to $2.50 by July 1981 and to nothing by July 1982.

Since 1970, the board has been buying entitlements to reduce a chronic egg surplus. This year supply and demand are in balance with an overall exportable surplus of 6 million dozen eggs. Below that there are likely to be seasonal and regional shortages.

The board supports the committee's proposals up to July 31 1982, seeing the devaluation as a means of taking 500,000 surplus entitlements out of circulation and restoring the 15 per cent voluntary cut now imposed on farmers and enforced by a levy incentive scheme.

But beyond July 31 1982 the industry and caucus diverge. The industry wants entitlements to have a value and be saleable on the open market, while the committee is suggesting that farmers wanting to go out of production should surrender their entitlement to be reallocated by the board.

The caucus sub-committee chaired by Rex Austin is now preparing its recommendations for the full committee. And at this stage the industry is picking that the recommendation will be up for another review in 1982.

Sintesd keen for DFC reps and seminars

TWO Government organisations are vying for the right to promote investment opportunities overseas.

The Development Finance Corporation was invited to hold an investment seminar in Singapore following the publication of the *Growth Opportunities* catalogue by the Singapore coordinator Dr Lee Kuum Tatt of the Sintesd agreement linking the two countries.

Kum Tatt envisaged a two-day seminar at which some of New Zealand's top businessmen could speak on both large scale investment opportunities such as petrochemicals and forestry and smaller investment opportunities.

But last week the Department of Trade and Industry announced that David Harcourt from the recently formed Investment Unit would be going to Singapore to investigate the need for a seminar there.

Harcourt will be going onto other centres including Kuala Lumpur and Hong Kong to promote the Government's recently published *Growth Catalogue*.

Comment

Editorial

UNDER the Government's obscurantist wages policy, successful wage negotiating has become the art of threading a needle in the dark.

The Remuneration Act was bulldozed through Parliament last year as a constraint on free wage bargaining; it is aimed at holding wage settlements to levels that the Government believes the country can afford, but which wage negotiators do not know they have exceeded until the Cabinet has decided an agreement is unacceptable.

By a frustrating process of trial, error and industrial disruption, it became apparent soon after the legislation was passed that — depending on the political philosophies adhered to by a union's leadership — a 10.5 per cent level for increases was deemed reasonable. Uncontrolled inflation has seen to it that awards today will be settled to the Government's satisfaction at a level well above that. The Prime Minister now seems to think that an increase just above 18 per cent is acceptable; last week the Government cut back an agreed 21 per cent increase for New Zealand Forest Products workers to just over 18 per cent, figures which were "reasonable" and "eminently fair", according to Rob Muldoon.

Less than 24 hours before the Government stepped in, Forest Products and the FOL had reached agreement to end a long and costly strike. According to FOL president Jim Knox, the agreement had brought parity in wage rates paid by Forest Products and by Tasman Pulp and Paper Company for the first time in the timber industry's history — a breakthrough that paved the way for a single industry agreement with built-in peace provisions. That achievement surely was to be welcome in an industry that has been plagued by industrial troubles.

The consequences of arbitrary intervention, on the other hand, were plain. The Government's first intervention under the law to regulate a wage settlement last September had resulted in a general strike (albeit not a successful one). Last week, the Government's intervention drew immediate threats of union retaliation, and as striking pulp and paper workers dug in for what looked like a long confrontation with the Government, support poured in from other unions while employers expressed concern at the Government's action.

The resumed stoppage at Kinleith which the Government regulation spurred will have almost intolerable economic repercussions. The strike *which had lasted seven weeks* when settlement was reached already had cost Forest Products $25 million (at about $500,000 a day) in lost production. Kinleith is the heart of Tokoroa, where business has slumped. The town has lost more than $7 million in income. The taxpayer is being hit, too. There are 4000 on the Kinleith payroll, some 500 of whom are on strike. Another 2500 have been suspended, with more suspensions to follow, and 1000 of those suspended are getting unemployment benefits. The effects will soon be felt by businesses generally. "Absolute disaster" has been forecast for next month when companies run out of paper for computers, invoices and stationery.

The Government justified its intervention on two grounds. First, it regarded the base wage settlement as "excessive", compared with other agreements (most of which had been at about 10.4 per cent). Second, the settlement hadn't been reached in a "free wage bargaining situation", and the Auckland Trades Council had announced a policy of rolling stoppages in support of wage settlements.

Further, Labour Minister Jim Bolger said the offer had been accepted by a large proportion of workers, and he thought the others should accept it too — they "should accept reason and go back to work," he declared.

The Government, naturally, should be concerned that a "free" wage bargain was struck after a seven-week stoppage that cost $25 million in production, and that the large settlement that resulted would have undesirable implications for future wage negotiations and the inflationary ogre.

But even more repugnant than strong-arm union tactics in securing wage rises is the arbitrary exercise of state authority. The criteria to be applied by Cabinet in declaring a wage rise excessive are so vague and ill-defined as to encourage iniquitous application. If the Government is to intervene in wage settlements, then it must state clearly to what circumstances intervention will be inevitable.

Wage negotiators now are being obliged to bargain under the absurd handicap of not knowing the rules that the Government expects them to apply. Bolger is said to have specifically warned both FOL and NZFP employers against making an "excessive" settlement, and to have been in close contact with all parties throughout the strike "offering advice". He warned them to consider the Remuneration Act clauses applying to an "excessive" wage settlement. But obviously the warnings were no more easily comprehended than the wage policy he administers. Forest Products managing-director Doug Walker is certainly perplexed. "Throughout the negotiations we maintained a very close liaison with the Minister of Labour and the Secretary of Labour and at no stage were we given any indication that this sort of intervention would occur," he said. Nor had the Government questioned the previous week's Tasman settlement, which had been recognised by the NZFP settlement in arriving at the same base rate and generally preserving a degree of parity on wage rates, Walker said.

The Employers Federation recognised the potentially explosive situation had been set by the Government's intervention; it called for urgent top-level discussions to resolve wage-fixing and industrial problems.

There was also talk of the Government considering a wage freeze. Such a policy would be contradictory to the Government's free-enterprise philosophy — and unjust to workers at a time when price controls are being lifted. But it would have the advantage of encouraging an understanding of the Government's expectations — an understanding that present policies defy.

Without word of a lie

PO extravaganza on family benefit

WE had been under the impression the family benefit was *something* other than a state handout to parents, but that it had some other purpose, like caring for the welfare of one's offspring.

But our good friends at the Post Office have disabused us. They have been obliging enough to circularise us with some tips on why the family benefit should be directly credited to a Post Office Savings Bank account.

"This convenient method of saving enables you to accumulate sufficient funds to purchase those larger items you desire, ie, carpets, stereo or colour TV, etc . . ." the Post Office advises.

Singapore catches company napping

THERE might be less need for a "Growth Opportunities" catalogue if Godzone stayed awake.

This time, and our source indicates it is not the first instance, a major company was caught napping.

Urgent telexes from Singapore were sent throughout January to be met with a stony silence, until the very last day of the month.

The reply: an apology. The firm had been on holiday until January 28. Our information comes from an excellent newsheet, the *Singapore Newsletter* produced by the New Zealand High Commission in Singapore.

Every month a copy arrives free in *NBR's* office and on the desks of several hundred businessmen detailing trading opportunities, Singapore Government decisions affecting New Zealand trade, statistics and interesting anecdotes.

The newsletter is, to our knowledge unfortunately the only one of its type produced by any New Zealand mission overseas, and owes much to the wisdom of High Commissioner Gerald Hensley and Trade Commissioner John Burns.

NBR also understands there is no budget for the newsletter and the money is eked out by skilful manipulation of the High Commission's budget. Hensley returns home soon to join the Prime Minister's office. *NBR*, for one, hopes his successor will not find "approved" uses for the Singapore Newsletter's unofficial budget.

Brockie's view

Manufacturers miss on export incentives

WHEN it comes to making money, the Export Institute has a sharp eye for a dollar.

On March 19 the Auckland division will hold a one-day seminar to explain the Government's new export incentive scheme.

Among the speakers will be Graham Fox and Ann Corrigan, from the Department of Trade and Industry, and Dick Poland, from Inland Revenue.

Institute members will have to pay $40 for the day's education, non members $50 and Diploma of Export students $20.

And as the blurb points out, the cost qualifies for an "export taxation incentive" (in this case 150 per cent.)

The next day at 3.30pm the Auckland Manufacturers' Association is holding a similar seminar. So similar that the speakers will again include Fox, Corrigan and Poland. The cost: nothing.

NBR understands that the Export Institute will not be paying any air fares or hotel bills for the four civil servants (John Chetwin, from Treasury, completes the quartet), though presumably they will have to pay for lunches and teas.

Those attending will get lunch, tea and copies of all lecture notes at the seminar to be held at the members' stand at Alexandra Park.

Manufacturers will cover a similar range of topics at their seminar next day and as a bonus get the latest on Nafta from the Manufacturers' Federation officials.

Perhaps the real difference is that between a day out at the taxpayers expense or a hard working session over a few drinks at the Mandalay Hotel.

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Comment

Personal viewpoint

by Ray Lilley

THERE is an initial attraction in proposals which would have the taxpayer picking up the tab — or a major part of it — for funding our political parties. If the state began to bankroll the recognised parties it could demand certain things: that there be disclosure of other contribution sources by the parties; that the funds be applied in ways which strengthen the open flow of information, not distort it; that there be full and proper public accounting for election spending at both candidate and party machine levels.

The history of campaign spending is a dim one in New Zealand, and onlookers believe there has been a substantial increase in the size of the purse the prize-winners spend at each election.

The magic "million dollar" campaign was first hinted at back in 1975. Only five years later even third-man Social Credit is talking about raising a minimum of $1 million in two years to fight the 1981 election.

National has a million-dollar building fund under way as well as its election fund-raising, and Labour wants a war chest of $500,000 before June next year, through its "Victory '81 campaign fund".

Labour is the strongest proponent of taxpayer-funded parties. New-broom president Jim Anderton paraded the sharing-the-burden argument at the party's recent regional conference in Wellington. He saw adequate state funding as helping "political parties to preserve their independence and their role in the democratic process".

His argument had two premises: the current membership fee of $1 a year "obviously we cannot rely on to finance a long-term political campaign". That understatement was given further point by the next: that "the burden will be carried by those few who are the most active in political parties."

On that basis, Labour must be fighting a very unequal battle on the funding front.

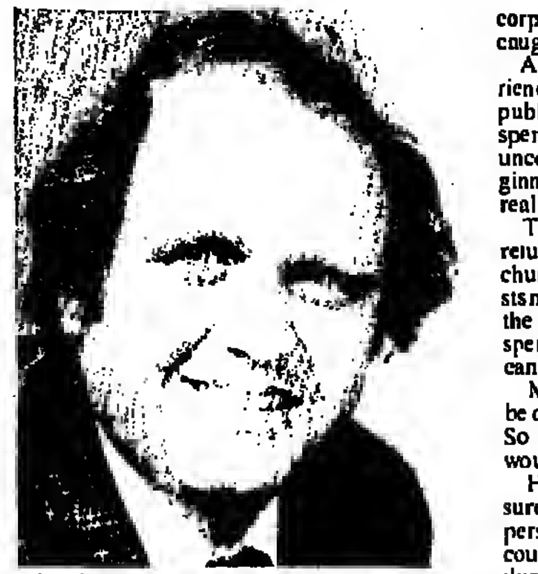
Anderton admitted as much when he announced Labour's total paid-up membership stands currently at 70,000 (paying that minimum dollar-a-head fee). On top of that the affiliation of 160,000 trade union members brought in another $30,000 — in his words, hardly financial domination of the Labour Party.

The president demanded another 50,000 members be signed up to take total membership of Labour to some 120,000 — far short of the National Party's claimed 200,000. It helps explain the "shoe-string" campaign Labour mounted in 1978, and why it is in the vanguard of the state funding argument.

Another attraction in the taxpayer helping to foot the bill must be the old saw that "you gets what you pays for" in the calibre of politicians. If part of their energies can be directed to other than electorate fund-raising, the result *must* be better and effective concentration on more relevant issues than the on-going fight between head office and the electorate about numbers, capitation fees and special contributions.

Papanui's Mike Moore earlier argued that "political parties provide the vehicle that keeps democracy moving," while allowing they are not highly regarded in New Zealand. Many western democracies (West Germany, Sweden, Canada, the United States) have forms of funding — and public disclosure of funding.

The arguments are not persuasive for Rob Muldoon. He has dismissed the whole matter with the taxpayer having enough "more legitimate things to pay for." The Labour Party raises the issue once in a while "because they can't be bothered, simply are never prepared to do the work that's required to get membership. So it will certainly get no support from the National Party . . ."



Mike Moore . . . parties keep democracy moving

As for outside influence from groups like multinationals trying to grease the political axle: "If somebody came along to a member of Cabinet and said 'look, I'll give you $10,000 for the National Party if you get such and such a policy through Cabinet', he wouldn't be able to deliver under our system". Plus of course the legal barriers preventing such funding from corporate giants — the sort of barriers that caught up Finbar Kenny in the Cooks.

Another trouble is that the American experience shows the plethora of problems facing the public if it demands full accounting for election spending. In New Zealand, nobody has yet uncovered the level of cash injection into marginal electorates at each election, the scene of the real power skirmish.

There were hints of rigged election spending returns in 1978 — and even after the Christchurch Central bi-election, but nothing substantial. Yet everyone knows, without having the firm evidence, that thousands of dollars are spent above the limit which now applies to each candidate, and is never accounted for.

Moore's argument that full disclosure could be demanded by the taxpayer holds little water. So too the claim that "slush-fund" spending would be detected.

How would state funding and public disclosure uncover — or prevent — groups of any persuasion buying newspaper space and (if they could) broadcasting time to push their barrow during elections? It would not. Indeed, such action would be encouraged as parties used all the devices possible to hive off part of their spending and funding into other, and undetected, channels.

If there is a case for state funding it is that it will give demonstrably better parties, candidates, policies *and* organisations. And the taxpayer already foots the bill for things like air fares, tolls, taxis, postage cost, chauffeured limousine costs and of course the expenses of the occasional hop by Air Force One (RNZAF Andover) when the plane schedules don't quite fit.

Ray Lilley is private radio bureau chief in the Press Gallery.

Recovery recipe: fair dash of skilled immigrants

by Michael Hirschfeld

NEW Zealand is in grave danger of becoming an economic and social backwater. Vacillation and chauvinism, insularity and insensitivity are combining to make permanent the decline that has been evident since 1975.

The short-term problem is a critical lack of foresight and imagination, courage and statesmanship spread throughout the leadership groups in New Zealand.

As a country we have prided ourselves on our level of international trade which, when viewed from a per capita basis, is high by world standards.

This interaction with the broad world community was considered evidence of marketing skills. The reality is that we have created an inadequate market for bulk produce in a small number of countries.

The last two decades have been spent in a low and only modestly successful attempt to break into the bigger world, with a wider range of products.

At a time when the western world has been decreasing its exports of labour intensive products, with export growth coming from the skill and education dependant information and knowledge industries, New Zealand is surviving as the world's last small reservoir of underpaid, semi-skilled white labour.

"Poor whites" is no longer the term for the American South or the Appalachian coal miner, but should more accurately be directed at the remaining New Zealand labour force.

The result of this political mismanagement is a continuing outflow of the skilled and imaginative, which has now lasted so long that large numbers will never make the return trip.

Isolated, ignorant and inward-looking policy is an ultimate recipe for insolvency and internal decay.

With a population originally drawn almost totally from two small islands at opposite ends of the earth, our narrow outlook is not surprising.

Whatever success was achieved in export growth and diversification is being more than negated by the near criminal neglect of our immigration policy. (The patient at best might be described as bleeding to death — but only slowly).

Though New Zealanders may not be familiar with foreign languages, ways and cultures, we need not be frightened of those with different origins.

What we must do is recognise that it is precisely these qualities that we need to seek out.

Immigration from a diverse range of countries will not devastate our Anglo-Saxon racial purity, nor will it strip jobs from the needy locals.

Three countries which many New Zealanders are familiar with all provide good examples of the benefits that can be derived from a broad immigration policy.

Australia, the United States and Israel have all been the cultural and economic beneficiaries of the population influx that they have allowed and encouraged.

Apart from the benefits which would accrue from a more liberal approach to Asian refugees, great benefits would accrue both commercially and culturally from a policy which sought immigrants from countries such as Egypt, Lebanon, and Iran for example — countries previously outside the range of any previously liberal policy followed by any New Zealand government.

Within all these communities are skilled traders, particularly within the minority Christian sects, who, apart from being valuable, job creating citizens, would see what real opportunities there were for trade with the Middle East and Africa, a trade which will otherwise have stunted development.

Two thousand families from each of these countries would be a good beginning, as would a policy seeking many others from the Americas, Europe and our Pacific neighbours.

Recently New Zealand sent an investment mission to West Germany. Their money would be doubly welcome if with every 100,000 marks they undertook to send a skilled immigrant.

Obviously limits are needed, but the targets should be generous and it must be recognised that New Zealand is not conferring the favour, but that the potential immigrant is serving our interests and needs.

Internally, New Zealand may appear to be a society in decay and beset by doubt, but it can still hold attraction for immigrants. If we were only brave enough to realise that our society would not collapse were we to encourage some immigrants who might not immediately disappear to the process of assimilation, then indeed our society might once again develop direction, dynamism and drive.

Diversity encourages ideas and new approaches to old problems. With an internationally-oriented economy and people, New Zealand could become once again an active participant in world affairs.

Pluralism is the American term descriptive of the diversity of input into all fields of endeavour which exists in that country. It is the most positive cultural idea to emerge from the 200 years of American experimentation.

Those who have sought shelter in fear of the world, behind New Zealand's vast ocean frontier must now be replaced. Those who have engineered the immigration sell-out of New Zealand's interests and who have proudly boasted of it, should now stand up and be counted — out.

A policy of bringing new people and ideas to New Zealand is an essential pre-requisite for any plan to stage a recovery in our southern Pacific islands.

Michael Hirschfeld is a Wellington businessman currently involved in economic and political research in the United States.

Letters

PO discount line

YOU make the point (*NBR*, February 11) that the Post Office is bound by the principle of equalisation of services from one end of the country to the other.

This is very true and, in fact, is one reason why the Post Office Act specifically prohibits the carriage for hire or reward of letters (which includes accounts such as you mention) otherwise than by post. This means that a person or firm cannot contract with an organisation to deliver letters on behalf of the latter for hire or reward.

It does not, of course, mean that an organisation such as the local bodies to which you refer cannot have its own staff deliver accounts and the like on its behalf and the Post Office has to live with this type of competition which appears to be what the MED is doing.

Turning now to the comparison of costs which you have used in the article, it is not really a true comparison using the 14 cent standard letter rate quoted by you. The Post Office offers a range of discounted rates for bulk mail for postings of 3000 or more in recognition of the benefits which accrue to both the Post Office and the customer from the special handling arrangements that apply to such postings.

In the case of letters posted by organisations such as power boards and councils where the posting is presented to the Post Office in street delivery order a 30 per cent discount on the standard letter rate of 14c is granted, making a rate of 9.8c.

I am naturally not aware of the basis on which the cost of 5c quoted by Mr Vernon is assessed but I can say that the Post Office charge of 9.8c not only covers full delivery costs and administrative overheads, but also the cost of such additional features as redirection of mail for people who have shifted residence. It applies in respect of the total posting including those segments which must be delivered to less dense housing areas on the outskirts of an urban area.

On the other hand, local authorities can be more selective in what they choose to deliver and tend to use the Post Office for the delivery of those accounts to the more difficult or sparsely populated residential areas.

The Post Office is naturally anxious to retain the business of its larger customers and to attract back the business of local bodies which it has lost. The bulk rate discounts are offered with this in mind and, as I have indicated, they take into account the cost savings this type of mail attracts.

T B Martindale
Public Relations Officer
New Zealand Post Office

In defence of the PM

WARREN Berryman's despicable attack on the Prime Minister Rob Muldoon, (*NBR* February 4) demands reply! The very qualities he finds so laudable in Sir Winston Churchill, Harry Truman etc are these same qualities for which he derisively scorns the Prime Minister.

His fictitious assumption of what happens when Mr Muldoon speaks candidly both at home and abroad is contemptible! His soliloquy on the primary obligation of a journalist is laughable. Is he really serious?

Of Sir Winston Churchill, Gerald Sparrow wrote: "At times irrascible, often perverse, sometimes rude, there dwelt in this man a great compassion, and it is this quality and his immense vitality that won the hearts and minds of men and women throughout the world"

Really Mr Berryman, what inconsistency! And you're not even concerned for the accuracy of your rantings.

Those of us who love and respect Rob Muldoon, see in him a man of great compassion . . . (the camera doesn't always capture the greater deeds – and a man of deep humility is hardly likely to invite cheap publicity.)

We see a man of unshakeable courage, in face of all odds.

We see his deep love and devotion for this his country.

And to the lasting shame of New Zealand, we see him villified and scorned again and again, while overseas at forums, finance meetings among presidents and statesmen, he is hailed for his forthright manner and courage.

Winston Churchill let us not forget strode through the pages of history in an age when men, women and children needed courage to a degree we can never hope to understand. Compassion and loving concern from each individual to friends and strangers alike bonded together under the leadership of Winston Churchill.

Rob Muldoon doesn't have any national trauma to unite the people as one, just a straight honest conviction that what he is about is right.

No doubt in 20 or so years Warren Berryman will proudly boast to his grandchildren . . . "I was there".

S F Gunson
New Plymouth

Keynes out of date

FRED Turnovsky maintains (*NBR* February 18) that Keynesian economic theory has run its course and its validity is questionable.

That this view is widely held is confirmed by the *New Society Magazine* (January, 24). In addition the relevant article saw that the economic problems of the technological future – unemployment and inflation – could well be solved by the application of the remedies of Major C H Douglas.

His vision of a technological society, in which machines conferred the benefits of leisure, dignity and freedom on all men and women, may well be not only the answer to New Zealand's economic problems but also a policy which any political group seeking electoral advantage could well promise to implement.

W Roy Hill
Waikanae Beach

Politics

Looking from outside at Windy City's blowings

by Colin James

SOMETIMES politics looks better from a distance.

Away from the hot gossip there is a better chance of believing politics is rational. It is easier to see the general current and not get caught up in the various eddies.

Last week was a week for taking the long view.

Political Wellington is a small town. And like any small town, it breeds and fans rumours.

A few weeks back the big rumour was that George Chapman was to be sent to Washington as ambassador. Some versions were embroidered with a knighthood.

But those really in on the rumour circuit pooh-poohed the Sir George in shining armour story. The "in" rumour had Colin McLachlan being geared for the Washington job, though whether with or without a knighthood was less certain.

The McLachlan rumour has stuck around long enough to arouse mixed feelings – a man of his proven qualities being available for such a vital diplomatic post, but at the expense of domestic politics.

For a bit it was superseded by the Talboys-for-Washington rumour, itself a rebound from the Talboys-will-stay rumour.

Then there was the rumour that Marilyn Waring was to be axed as chairman of the parliamentary public expenditure committee, because she had run foul of "the boss". (She is still chairman, though overseas for a few months).

Last Tuesday, after the Prime Minister and Federation of Labour president Jim Knox fell out over the Forest Products settlement, there was the inevitable "snap election" rumour.

We can safely ignore the snap election theory for the time being.

Snap elections are only called by Prime Ministers who are either desperate (as Edward Heath was in Britain in 1973) or convinced they have an issue on which they cannot lose.

It also assumes that the Government's handling of the issue was part of a carefully planned long-term strategy.

The Prime Minister is not desperate. If anything he has begun to look and sound more in charge.

He seems to think he has an issue on which he cannot lose: communist (labour) disruption.

But if he has a strategy, it has a way to run yet.

Last year, after the departure of foxy Sir Thomas Skinner, the Government was for the first time able to get wedges into the divisions in the union movement. These divisions became particularly apparent during the one-day "national stoppage".

Then came the invasion of Afghanistan by Brezhnev's bunch of unimaginative geriatric imperialists in Moscow, the people who gave you the Sakharov affair.

Russians, who had become Russians during the "detente" era, became communists again.

Furthermore, there happened along conveniently the opportunity to kick out the Russian ambassador for slushing out money to the Socialist Unity Party.

Not only were Russians communists, they were communist conspirators, undermining the New Zealand way of life.

Then came the Sutch slur. A little bridge of public opinion was built between the communist conspiracy and the Labour Party.

And last week Forest Products. More communist conspiracy innuendo.

Bill Andersen's stationary engine-drivers and engineers union negotiator Jim Butterworth – a contender for the national secretary's post later this year – tarred with the same broad prime ministerial brush.

Not a bad sequence for a man who has caught a fair bit of flak from the provinces over his failure between 1975 and 1978 to put the unions down – to ensure that the trouble-makers got it "where the chicken gets the axe", as he himself put it.

That failure cost the National Party a lot of votes at the electoral interface with Social Credit in 1978.

A few more drivers, Forest Products and meat workers strikes met with arbitrary regulations and will help swing hose votes around.

The Forest Products affair even had a bonus. Good old Jim Knox, straight as a die, solid Labour Party man to the core, genuine believer in the worker's cause, trapped in the red light.

There was a time when governments acted as if they believed the Federation of Labour was an essential element in maintaining some sort of restraining hand on industrial trouble.

If that belief had guided the Government this time, it would have kept its hands off the Forest Products deal. To humiliate the FOL president is to invite hostility.

As the union buzz round Wellington on Monday night last week had it, "Muldoon's made his mistake this time."

For that to be strictly so, we would also have to assume that the FOL was following the old unwritten rules about when and how it got into disputes on behalf of the workers of one of its affiliated unions.

One of those rules was that the FOL would not go in officially unless the doorway to settlement had already been opened unofficially. Sir Thomas kept himself out of scraps he was not sure he could win.

Knox had already been in for more than a week when Tasman scabbed on Forest Products – much to the annoyance of employers – and gave their workers what the Forest Products had been striking for six weeks.

The other rule was that the Government knew the play and therefore kept out of the way. Sir Thomas did not ever expose a soft underbelly to Government slings and arrows.

There are differing versions as to the to-ing and fro-ing between Labour Minister Jim Bolger and Knox and Forest Products.

The Prime Minister's version is that Bolger told the parties the Government could not wear a settlement of the order that eventually emerged. From one corner of the other side comes a version that Bolger gave the green light.

Whichever version is correct is not important now. The important point is that the Government has intervened in such a way that the chances of setting up a more stable wage-fixing system becomes more remote.

The Employers Federation has been trying to get some rational discussion going since this time last year.

In the Prime Minister's absence last September, acting Prime Minister Brian Talboys did get talks with the FOL going. Humiliating the FOL is not the best way of keeping any dialogue open. Frustrated employers see hopes of rational discussion getting increasingly unlikely.

Industrial relations are likely to get worse, rather than better.

And it is not as though there was some grand economic purpose to the intervention. Since Tasman had already conceded the rates Forest Products eventually got, the flow-on to other awards, if there is one, will take place in any case.

Workers doing the same job have an unanswerable case, in simple equity, for equal pay.

The fact that they resorted to a strike for their equality is irrelevant. Tasman was the plant struck last year.

An FOL that was not on the back foot should be able to make sweet-smelling public relations hay out of the equality argument.

But it does seem to be on the back foot. The talk last week was defensive, rather than aggressive – protest, siege, rather than confrontation.

I have argued in the past that a united FOL would win a general strike hands down. The technological means of crippling an economy are much greater now than in 1951.

But the current divisions over policy and politics make united action impossible. So the Prime Minister is acting as if he can do as he pleases with impunity.

Worse is to come. The time bomb ticking away inside the Fishing Industry (Union Coverage) Act, which excludes existing unions from joint fishing ventures, reached D-hour last week.

Loading of fish stopped because the Wesermunde was back in Bluff.

If I was the Prime Minister I would not be upset.

He is ahead on publicity points. A certain consistency is emerging in his slicing of wage rises won by long strikes in which he can find signs of SUP involvement.

A good fight this year will win him votes where he needs them most – on the right.

It is not yet the stuff of a snap election, except on the Windy City rumour circuit. But, failing some imaginative initiatives from the FOL, it is the long-term stuff of elections.

Farmer feelings high over Alliance co-op plan

PROPOSALS to turn a leading New Zealand freezing company into a co-operative have not gained ready acceptance among some shareholders.

"Rebel" shareholders in the farmer-owned Alliance Freezing Company (Southland) Ltd have held one public meeting, and have formed a committee which they hope will lead to a revision of the proposals.

The plans to convert the company were released to shareholders early last month and will be put to shareholders for approval at the annual meeting on March 28.

But directors were somewhat upstaged by the son of a retiring director who placed a large advertisement in *The Southland Times* two weeks before the board released its proposals, setting out, on behalf of his ailing father, plans for turning the company into a co-operative.

Hopes of the Alliance becoming a co-operative have existed since the late 1930s, when those campaigning for a new works in Southland began work in earnest.

They were to wait through two decades of frustration before seeing the Alliance works at Lorneville, near Invercargill, start operations about 1960.

Since then, the Alliance has become a model of efficiency in the freezing industry, and with a seventh chain due to start operations shortly, it must be ranked as the largest single meat-processing plant in New Zealand.

Becoming a co-operative would mean large tax savings for the company, and would protect it from takeover bids.

Farmer support has never been a problem with the Alliance, even though it was involved as much as any other works in industrial hassles in the past few years.

But, directors and shareholders alike have become aware of the growing number of shareholders who have become non-suppliers of stock to the works.

Under the Co-operative Freezing Companies Act, some 60 per cent of shareholders must be suppliers if a works is to become a co-operative, and the percentage at Alliance has dropped below.

Last October, the company offered a rebate of 50c a head to all suppliers who killed stock during the 1978-79 season.

At the same time, directors offered ordinary shares to suppliers at a premium of 50 cents a share so that the company could go co-operative.

Not surprisingly, so many took it up that the 60 per cent total was well reached.

With that, directors started to work out their proposals. They split shareholders into three categories, farmers, investors and traders.

They proposed a three-for-two share bonus issue to boost return on investment. This was particularly aimed as a financial boost to investment shareholders who do not supply stock.

Under the proposed system, the emphasis will be on rebates to suppliers. Dividends will continue, but they will be secondary as far as financial returns to shareholders are concerned.

They also decided to introduce a qualification for farmer shareholders of three shares for every stock unit killed, with space in the works allocated on the basis of what individual farmers have put through in the past two seasons.

But, before the proposals were announced, Neville Falconer, son of a retiring director, advertised his own proposals which effectively meant a three-for-one bonus share issue. He also argued that farmer shareholders' qualifications should be five shares for every stock unit killed.

Feelings ran high at a meeting in Invercargill recently when about 130 shareholders argued the pros and cons of the directors' proposals. Some felt that the bonus share issue should be run as high as five-for-one as adequate recompense for the original shareholders who no longer supplied stock, or who had willed shares to their families.

The meeting's chairman, Aubrey Begg, Labour MP for Awarua between 1972 and 1975, argued: "If the Alliance was a public company, and such a proposal went out to shareholders, the stock exchange would cut their (directors) heads off."

Others defended the proposals, however, and even among those dissenting, there was no unanimity on what was best.

One of the main bones of contention among smaller farmer shareholders are the traders and exporters, for whom directors are recommending a separate shareholder category.

Perhaps significantly, they have released few details on traders' shareholding, although only farmer shareholders will be able to stand for the directorate and voting rights for investment and trader shareholders will remain at the present limit of 3000.

Farmers seeking space at the works have sometimes been unable to get it at the time they desired because traders were putting through large numbers of stock.

The Alliance board has been having discussions with some of the major traders. From the works-efficiency viewpoint, directors must be anxious not to upset them.

Traders often can supply thousands of head at short notice in a lean spell during a works season.

The Invercargill meeting decided that if the directors' recommendations are rejected at the annual meeting, a six-man committee nominated by the meeting would try to organise and attend a special meeting of directors to help revise the co-operative proposals.

Just how the proposals will be received on March 28 few are prepared to predict. Most observers say, that no matter what the directors propose, there are bound to be some who will disagree.

They also point out that a lot of farmers think the proposals fair in the circumstances. Although not perfect, they take all interests into account with the balance tilting towards the farmer shareholder.

But only 26 per cent of shareholders' votes are required to overturn the directors' proposals, and for that reason, no bets are being taken on the result.

World status eludes Bankcarders

BANKCARD holders will have to wait at least nine months before getting the international status that Visa card holders enjoy.

In Australia a tie-up with the world's two major systems, Mastercharge and Visa, is allowing Bankcard holders there to join the international plastic money system.

The three Australian banks behind Bankcard have already had preliminary discussions with Mastercharge on introducing the system to New Zealand. But *NBR* understands that the earliest a decision might be taken is in June to allow introduction by Christmas.

Unlike Visa customers, Bankcard holders will not automatically get international status.

Australian customers travelling overseas, and in the appropriate income bracket, are given the choice of card from one of the major systems. New Zealand holders will be able to apply for a Mastercharge card only.

Until then, Bankcard holders wanting an international credit card are being told to apply for Diners or American Express.

It seems plastic money is a success, despite the warnings by consumer organisations and the early reluctance of retailers to accept plastic money.

Bankcard claims to have 203,000 customers, up from 150,000 when the scheme was launched last October. The cards have bought $21 million of goods and services from 11,000 retailers, hotels, restaurants and so on.

Bankcard official Ken Venables said: "We are very pleased."

A recent survey among retailers indicated that Bankcard was accounting for 70 per cent of their plastic money business, Venables said.

Despite rate cutting by the two Visa operators, the National Bank and the Bank of New Zealand, Bankcard had stood firm and refused to discount, he said.

The Tourist Hotel Corporation, which had been baulking at the 4 per cent commission fee on Bankcard while paying only 1½ per cent or less on Visa accounts, is now signing up.

Whitcoulls is the only major retailer still resisting Bankcard because of its higher charge.

But plastic money holders must beware if going "overseas" to the South Island.

Both systems are achieving high penetration rates in Auckland and to a slightly lesser extent Wellington. But over the Cook Strait the real thing is still preferred.

Public Accounts give confused view of policy

Economics Correspondent

JUDGING from the latest Public Accounts, this Government does not know whether it is coming or going. Its real economic objectives are as unclear as ever.

The Public Accounts record the Government's non-marketing cash receipts and payments. The quarterly accounts are report cards assessing how well the Government has stuck to what it says it intended to do in the Budget.

Since its Budget transactions influence economic activity, the Public Accounts can give an indication of the Government's economic policy.

But as the Public Accounts for the nine months to December show, they do not measure up as the main public record of the Government's budget activities.

Treasury has put some effort into designing the Public Accounts so they are understandable. The Minister of Finance issues a press release to accompany the accounts which includes a breakdown of the information on the familiar Budget Table 2 basis. And in the last few quarters, the press release has been written in simple English instead of accounting jargon.

Timing is important if economic policies are to have their intended effect. It still seems to take about 45 days for the Public Accounts to be published, a long time to wait for up-to-date information on what the Government is up to.

So it was mid-February before any assessment of Budget activity to December could be undertaken.

The December accounts record that Government spending has slowed quite dramatically. Spending was only 73 per cent of the total amount appropriated in the 1979 Budget and Supplementaries. At the same time in 1978, the Government had spent over 75 per cent of the amount appropriated.

Spending in the December quarter 1979 was less than the amount spent in the same quarter a year earlier.

It looks like many areas including education, foreign affairs and administration will be underspent.

From this information, we could surmise that the Government will spend less this year than Parliament has appropriated. This would be highly unusual behaviour for Government departments. Their appropriations for next year depend on what happens this year, and if a department does not spend all its budget this year, it may get less next year.

It is more likely that something funny is happening with the Public Accounts.

It may be an accounting trick. Tax collections are always low in the December quarter, so the deficit is usually at its peak then. By delaying some payments until the March quarter, the Government's accountant can make it appear that the budget deficit before borrowing is lower than it really is.

This makes life easier for politicians who try to impress the public that a low Government budget deficit is a sign of good economic management.

On the other hand, it may be that the Government is timing its activities to have a certain economic impact. It could be that it has deliberately held off paying its bills until March as a way of offsetting the tax drain that quarter.

March is the quarter when most companies and farmers pay two-thirds of their income taxes. Also, other indirect tax payments relating to the March year fall due.

Usually at least $2,000 million flows towards the Government's coffers in that quarter.

And if the Government is to realise its Budget expectations this March, its total receipts for the quarter will need to be more than $2,500 million. As the table shows, by the end of December Government revenue was $4,003 million. According to the 1979 Budget, the Government hopes to collect $6,578 million.

Following the normal pattern in tax collections, the December Public Accounts do not provide strong evidence that the Government will achieve its revenue target. While receipts increased by a substantial amount since the previous year, the gain in the nine months to December is not large enough to ensure the Government will achieve its budgeted level.

Motor spirits tax and highways tax are considerably below normal trend levels, possibly reflecting a slight fall in consumption of petrol. Income tax receipts are 50 per cent of the budgeted levels which leaves more than $2,200 million to be collected from income taxes alone in the March quarter.

It is expected that unusually large tax payments by companies and farmers during March will bring up income tax receipts to budgeted levels. And the fiscal drag effects on state servant's salaries will also contribute.

But it will be a considerable strain on the economy if tax payments are so large in March. Any spare cash in the banking system will go towards tax payments.

An acceleration in Government spending would ease the strain on the banking system somewhat.

Without knowing whether the December Public Accounts are an actual record of Government activity or an accounting trick trying to show a low deficit, it is difficult to see what the Government's true economic intentions are.

There is widespread concern that money is getting tighter and interest rates are rising, making it difficult for firms to invest.

In a joint statement issued in mid-February, the Federated Farmers, the Retailers Federation, the Chambers of Commerce, the Employers Federation and the Manufacturers said that the liquidity situation had worsened markedly in the last few months. The spokesman for the group, Fred Turnovsky of the Manufacturers' Federation, went on to say that unless urgent action is taken to deal with the current liquidity crisis, domestic and export business will suffer.

The Prime Minister and Minister of Finance, Rob Muldoon, replied that he does not agree that there is a liquidity crisis. He noted that increases in monetary aggregates were reasonable compared with earlier years.

Government budget activity can have a marked influence on liquidity which may not show up yet in monetary aggregates. But to know the extent of the Government budget's effect, it is essential to have better measures of budget activity than presently provided by the Accounts.

Muldoon acknowledges that at this time of the year there will always be some business firms which are short of funds to meet their tax obligations. And this could be the reason for Turnovsky's statement.

The Public Accounts do not provide enough information for the public to know for sure what the Government's impact will be in March. Does the Government have a better idea?

Perhaps Muldoon knows something we don't. Since delaying Government spending until March makes good sense in economic terms, it would have been in his interest for the Public Accounts to make clear the Government's economic intentions.

PUBLIC ACCOUNTS FOR NINE MONTHS TO DECEMBER 1979

	Amount Budgeted includes supplementaries ($ million)	Account for nine months ($ million)	Proportion of Budgeted Amount (per cent)
EXPENDITURE			
Administration	662	499	75
Foreign Relations	450	318	71
Dev. of Industry	761	572	75
Education	1040	824	79
Health	1146	834	73
Social Services	2196	1581	72
Transport Communic.	284	174	61
Debt Services & Misc. Investment	793	529	67
Misc. Financing Transactions	355	231	65
General Imprest Acct. Outstanding (1)	—	54	—
A: Total Expenditure	7687	5616	73
FINANCED FROM			
Income Tax	4560	2265	50
Customs, Sales Tax, Beer Duty	990	664	67
Highways Tax	145	85	59
Motor Spirits Tax	182	106	58
Other Taxation	218	167	77
Total Taxation	6095	3287	54
Interests, Profits, Miscellaneous Receipts	483	387	80
Trust Account, Suspense Account Outstanding (2)	—	329	—
B: Total Revenue	6578	4003	61
C: DEFICIT (A-B)	1109	1613	

(1) Monies spent but not yet classified.
(2) Monies received but not yet classified including Trust Account receipts.

Council faces eleventh-hour flak over sewage

ELEVENTH-hour opposition to a $12 million sewage scheme approved in principle more than five years ago is vexing the New Plymouth City Council.

A public meeting unanimously rejected the proposed sea outfall, offshore from the Waiwakaiho River just south of New Plymouth. But New Plymouth mayor D V Sutherland said that there was no way of financing a land treatment plant when the Ministry of Works and Health Department had approved a sea-outfall.

The issue is potential election fodder.

Sitting National MP Tony Friedlander had a 112-vote margin over Labour's Dennis Duggan at the last elections. With a swing to Labour of 4.7 per cent in 1978 a further swing of only 0.5 per cent is needed in 1981.

Petrocorp and BP proposals for Taranaki have made locals sensitive to environmental issues, and candidates for the three major parties will be eager to score points.

On the sewage scheme, Friedlander has taken a cautious build-it-and-then-we'll-see line.

Duggan wants the council to revert to a previous plan, which involved the discharge of chlorine-treated, not raw sewage. Social Credit's Colin Nichols (a strong third in 1978) supports full land treatment, regardless of cost.

Campaigning against the scheme Angela Boon claims a mass build-up of effluent will wash back to shore because of tidal movements.

She quotes from sanitation engineering reports from Los Angeles plus a manual used world-wide as the text for sea outfalls.

The Raymer Southampton Corporation, a firm of effluent disposal consultants, states: "One worrying thing about direct outfalls is the tendency for heavy industry to congregate round these areas because trade effluent control will be rather less efficient than it would be if the sewage went to a land treatment works. This is because trade treatment processes to a certain extent protect farmlands if sludge is disposed on the land.

"At present there is unlikely to be such close attention to industrial discharges which are effectively directly discharged into either estuaries or the sea. There will have to be a broadening of the controls of industrial discharges generally to sewers."

Boon describes as urgent and vital the need for laws to control industrial waste material put into treatment systems. At present any control is just a "gentlemen's agreement".

Monitoring waste is the responsibility of the Taranaki Regional Board and Catchment Commission. But secretary J V Douglas admits it can not be done because of a lack of staff and equipment.

"Basically it boils down to people," he says. "If they want a clean environment they will have to pay for it."

Boon argues that laws to control trade waste, because of the tremendous number of sea outfall sewers in New Zealand, are even more necessary in Taranaki because of the developing petrochemical industries.

According to mayor Sutherland the city council will insist on monitoring these wastes.

F White, convenor of the Bell Block and District Society which opposes the estimated $13 million scheme, despites claims that a land treatment plant with a provision for monitoring wastes would cost more. She puts the price at $6 million and says the council scheme could cost three times the original estimate.

The Waitara outfall's original estimate was for $1 million but has already cost $3 million.

It has the support of the Ministry of Works and the Health Department.

White describes the sea outfall as a cheap way of attracting industry to the area

"No one can tell what the cost will be," she says, citing district health commissioner Dr A L Cowan's admission that should the system not work, extra treatment points will be erected.

But the major threat is to the food of about 9000 Maoris. Elders Ted Tamati and Aila Taylor say the Maoris have already lost beds of shellfish further down the coast because of existing sewer outlets and they now stand to lose all.

The scheme at Waiwakaiho is the biggest, they say.

They were not consulted by the all-pakeha city council about possible effects or even the basics of the scheme. But they have been invited subsequently to talk with the council.

Mayor Sutherland took umbrage when asked why the Maoris were not first consulted. He spent some 15 minutes describing the New Plymouth community as a family unit made up of many races living in harmony which was being disrupted by the press. And he was aggrieved at "the number of really abusive phone calls with people making all sorts of wild accusations that were really disgusting."

He justified failure to consult the Maori people by referring to the council's past actions in fostering Maori culture, citing the museum as just one example. "If we had had any idea that this would disrupt their life style, we would have consulted them".

"It never occurred to me that the plan could be anything other than gladly received and endorsed by the Maori people," he says.

"My main concern is that the scheme will be acceptable to all and solve the pollution problem."

Sutherland insists a land treatment plant would double the costs of the proposals and had been thoroughly investigated.

Indications were seven ... one that the scheme would work and, the Health Department, Land Board and Government would subsidise extra costs, Sutherland said.

He referred to the successful schemes on the east coast ... of Hastings, Gisborne and Napier (although conditions on the east differ from those on the west).

Sutherland claims he has not been given a fair hearing. "TV One didn't even show ... interview though they screened all of that of the leader of the Bell Block and district protesters."

He said the council had investigated the possibility of setting up a recycling plant such as that in Hamilton but "the economies didn't justify the costs"

The scheme so far had been accepted only in principle and the council was not committed to it, he said. But he describes the opposition as only a minority.

Minority or not, it comprised the Taranaki branch of the New Zealand Medical Association, lawyers, businessmen and ratepayers.

Orthopaedic specialist V Hadlow confirmed the position of the Taranaki branch of the NZMA.

He challenged statements by district health officer Dr L Cowan that there were no viral infections caused by eating local shellfish.

These infections were increasing and there was no way it could be proved or disproved that they had not been caused by eating infected fish life except by not putting effluent in the sea and monitoring the result, Hadlow said.

"We've had 150 cases of hepatitis, one third of which were caused by the victims eating raw shellfish," he says.

"Anyway, where is the logic in putting pollution into the sea? No good can come from swimming in one's own faeces."

Cowan claims the GPs are not experts on matters of public health.

Users interface follows market

IBM has announced a reorganisation which will present a new face to the customer.

Marketing and front-line reference point for support, used to depend on what line of equipment the user had. IBM's Data Processing Division and General Systems Group each looked after their own machines: the former handles 370s, 4300s and 3000s with their associated products, while the latter's main lines are the Series/1, and System/32, 34 and 38.

In future, the user interface will be "organised toward market requirements rather than product", says managing director Basil Logan.

In practical terms this means separate marketing forces to deal with users of 'small/intermediate' and 'large' machines, with new customers, regardless of machine size, placed in the former category.

The two classes of user clearly have different needs, said Logan: the smaller user and the new user, for example, will be doing less of their own programming and relying more on IBM's help.

With the spread of both DP and GS machines over a wider range of processing capability, there has been an increasing overlap, and IBM has become aware of the embarrassment of having two people from different parts of the company descending on the same prospective customer.

New Zealand found an early solution to this in 1977, with a structure which placed the final decision as to who would approach a particular prospect in the hands of the director of DP marketing.

The latest move virtually submerges the GS/DP distinction from the customer's point of view. Full GS and DP support resources will, of course, still be in place behind the immediate interface.

Working to wither away the state of patriarchy

by Belinda Gillespie

THE Labour Party must put its own house in order to convince women it wants their increased political involvement, and Pam Nuttall, Labour Party Women's Co-ordinator, sees her newly created position as a step in that direction.

If it's just a gesture, it's an expensive one, Nuttall points out. Her salary and expenses represent a strong financial commitment for a party known for its slim resources.

Her job is executive officer to the Labour Women's Council, a body elected annually by party women, which is responsible to the national council of the Labour Party.

A sixth-generation New Zealander, Nuttall is not one to pack up and leave the country when the going gets rough. She insists she is "deeply committed" to getting a socialist government into power in 1981, and sees her job as a way of strengthening that commitment.

Nuttall claims she has no political ambitions; she says she sees her position as an extension of her work as a party member rather than as a stepping stone to political power.

From a strong Labour background, Nuttall was galvanised into joining the party by the 1975 election result. She has been active in three branches.

Her second tier of political activity has been involvement in teachers' politics, as a branch chairperson of the Post-Primary Teachers' Association for the past two years.

At a third level, Nuttall has been an active feminist.

An MA in history from Auckland University, she is a member of the Womens' Studies Association, and belongs to Feminist Teachers.

But she says she is not a radical feminist — "Women must make the compromises they feel necessary to live in the patriarchy."

Among her own compromises are marriage and membership of the Labour Party — itself, she admits, a patriarchal institution.

Her feminism fits with the Labour socialist tradition of reformism, not revolution.

"Why not use established political institutions for feminist ideals? It's a compromise — but a realistic one," says Nuttall.

Appointed in Auckland with an initial contract of two years, Nuttall agrees that there are "chronic disadvantages" in being based away from Wellington. But the population of women voters with whom she will work is weighted heavily towards Auckland, with 27 electorates an hour's drive or less away.

After only a few weeks in office, Nuttall is already heavily booked. She made her public debut at the Waikato Regional Conference of the Labour Party, where she spoke to a remit endorsing the Working Women's Charter (created by the Working Women's Council, which aims to get it ratified through the FOL and individual unions.)

Nuttall's position as a paid party official representing women is a first, at least in New Zealand. It is considered a breakthrough by Labour women who have fought for a decade to get it established, and a mark of recognition by the hierarchy that women's participation is at last required in political decision-making.

Nuttall describes three major elements in her brief:

- Her primary aim is to get more women involved at policy-making level throughout the hierarchy, and to increase the numbers standing for local body and national elections.
- She acts as liaison with womens' organisations such as NOW, with trades unions and other bodies to promote Labour women's policy at this level. "Our women's policy — for example advocating paid maternity and paternity leave, compared with the disastrous present bill — needs publicising among women."
- She will assist with policy formation at all levels, promoting policy discussion groups among women members to generate material for recommendations to go to the policy council. Researching educational material — such as a kit soon to be released containing information for women's candidates for local body elections — is part of her brief

Nuttall denies that the creation of a special woman's position within the party serves to bolster up present inequalities in the structure.

Special pleading is essential, she says, because women are so disadvantaged in public life.

"When women and men are in equal numbers in the House and in the party executive, my job will have withered away. In the meantime, there is a strong need for affirmative action programmes to promote women from their background role into strongly political activity within the party."

Pam Nuttall . . . special pleading essential

GATT reports increase in world trade value

THE value of world trade increased in 1979 by about 25 per cent over 1978 — more than the average increase in the 1970s — according to a GATT report.

The report projects further, but smaller increases in world trade during the 1980's, despite problems that would arise from energy prices and supplies and the recycling of foreign exchange earnings of oil exporting countries.

It says the surplus of oil-exporting countries may reach $100,000 million in 1980.

The combined imports of industrial countries rose by 28 percent in value in 1979, while their exports increased by about 20 per cent, the report says. As a consequence, the trade deficit of industrial countries as a whole rose to about $15,000 million in 1979, after having reached a surplus of about $20,000 million in 1978.

The report says that the export earnings of oil-exporting countries increased by about 40 per cent in 1979, to a level exceeding $200,000 million — an increase principally arising from higher prices.

The current account deficit of non-oil-exporting developing countries widened from about $30,000 million in 1978 to about $50,000 million in 1979.

GPI falls short on labour and time lag costs

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

AN increase of 21.9 per cent in the General Price Index in 1979 is an indication of present and potential inflation rates.

Some industry groups in the index have already passed on their increased costs in higher prices.

Those movements are reflected in the "output" indexes of particular industry groups. For example, the food, beverages and tobacco input index increased 24.6 per cent last year, while the output index went up 23.4 per cent.

The input index is based on "producer's prices and includes commodity taxes and subsidies received by the producer", but excludes labour costs.

The food group had an input movement of 5.3 per cent between September and December, 1979, while the change in output prices was 2.6 per cent. The industry has some price catching up to do before it fully reflects higher costs, but rising food prices this year may have restored a better balance.

On the other hand, costs are still going up, and additional food price increases can be expected after the appropriate time lag.

The substantial changes in the indexes for "chemicals, petroleum and plastics", "transport and storage" and "forestry and logging" have been publicised. The effect of higher oil prices come through in those industries.

Output indexes for the three industries moved roughly in line with input costs, showing again that cost recovery in those areas has a relatively short time lag.

The signal for future price rises can be seen in the "electricity gas and water" group, in "paper, publishing and printing" and in "ownership of dwellings".

The utilities section had an input increase of 2.7 per cent in the December quarter, while the output index was almost static, moving only 0.1 per cent in the same period.

Substantial price rises for electricity earlier last year came into the output index in the second and third quarters. The proposed change to electricity tariffs in April will give the output index another boost, allowing it to catch up again with the producers' costs.

Inputs for paper, printing and publishing rose 5.1 per cent in the December quarter, compared with 4.2 per cent for outputs.

While the "gap" is small, the non-inclusion of labour costs in all the indexes suggests that the margin between inputs and outputs across the industry groups is wider than shown in the bare GPI.

There is unlikely to be an immediate increase in newspaper prices because most major publishers have discounted that possibility. They suggested recently that it was a possibility if costs continued to increase beyond the absorptive capacity of total revenue.

The suggestion was made in the context of paper costs, and also included the note that local newspaper publishers have contract arrangements with Tasman Pulp and Paper Co Ltd.

The input index for "ownership of dwellings" shows a gain of 5.5 per cent between September and December, while outputs recorded 22 per cent. The composition of that industry group is unknown, but again there is a gap between inputs and outputs for the quarter.

The general price index is a rough guide to likely price rises in future, but precise calculation is difficult for several reasons.

First the exclusion of labour costs brings in a considerable margin of error when relating inputs to outputs. Since the output indexes for the various industries are "factory door prices or as close to this level as it is a firm's practice to price", direct comparisons between either side of the industry are impossible.

Second, there is an element of "double-counting" in the general price index. For example, part of the agriculture industry's outputs become part of the inputs for the food industry.

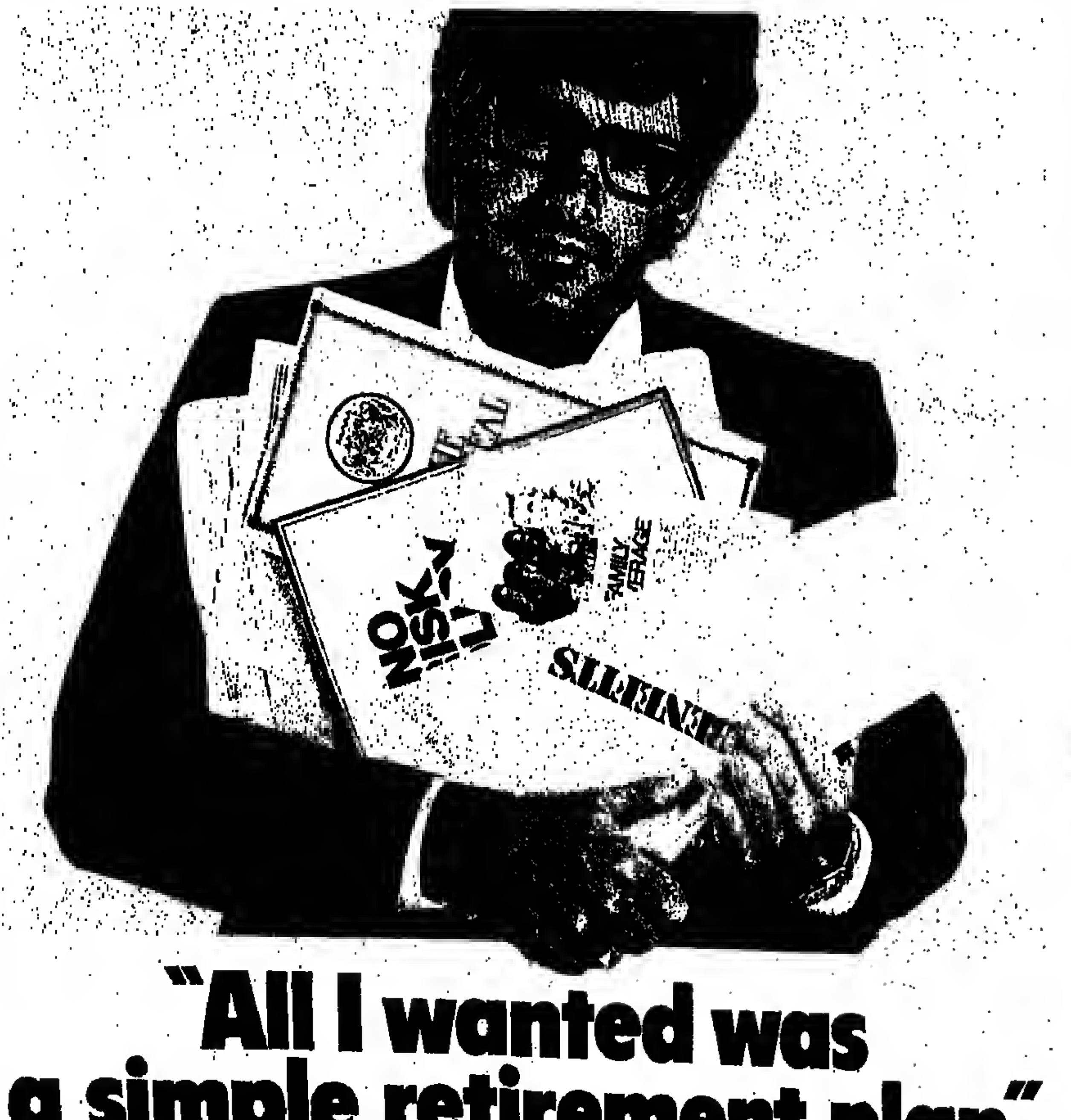
The problems are compounded when the public sector "industries" are examined.

The Department of Statistics produces input indexes for central government and local government, but there has been no output index for these groups since the GPI was first prepared in 1977.

The costs of running central government, according to the input index, jumped 17 per cent in 1979, with a 6.1 per cent rise in the last quarter. Both calculations exclude the cost of labour in the central government sector.

Local government inputs went up 20.8 per cent in the year, with the final quarter contributing 7.8 per cent over the level for September.

The general price index has the obvious intangible advantage of revealing the impact of costs on particular industries. If it were widely publicised in that context it could bring the arguments about consumer price rises into a sensible perspective.



BNZ winding down its London services

RISING costs are forcing the Bank of New Zealand's London branch to eliminate some customer services and impose charges for others.

From April 1 clients will pay for cheque, savings and short-term deposit accounts when balances fall below certain limits.

And no new savings accounts will be opened after the beginning of April.

Customers in England from New Zealand who use the London branch as a forwarding address will no longer be able to do so from June 1.

In a letter to customers distributed in February, the bank says operating charges have increased "very substantially" since the last review of personal customer services in 1970.

The new charges on cheque accounts range from £1 a quarter ($2.34) to a maximum of £5 ($11.70).

Remaining savings account holders with balances under £100 ($234) will pay 50p ($1.17) for the privilege and forfeit interest.

The BNZ action is primarily directed at cleaning out numerous small dormant balances left by visitors to Britain, while not inconveniencing regular clients.

Analysing accounts: Waitaki NZ Refrigerated

WAITAKI NZ Refrigerating Ltd had a windfall gain last year, but the company's annual report fails to state the amount.

A comment in the review of managing director, John Neilson, is expected to cover the point:

"The devaluation of the New Zealand dollar during 1979 benefited the final results and we are pleased to report that trading has made a significant contribution to the overall profit of the group."

A note in the Statement of Accounting Policies says:

"Transactions in foreign currencies are recorded at rates ruling at transaction date or, in the case of balances at year end, at the rates of exchange ruling at balance date. All unrealised losses or gains or loans and/or advances denominated in overseas currencies have been reflected in the income statement."

There is no reference in the income statement to the amounts of these "losses or gains", nor any information on the "rates of exchange ruling at balance date".

We are told that there was an exchange variation of $89,074 on "retained earnings of overseas companies," compared with $323,044 in 1978.

Changes to the exchange rate are relevant in three areas: trading profits, share of profit in associated companies, and the translation of stocks held overseas back to the balance sheet.

The trading profit gain/or loss relates both to higher realisations for some sales and to the unrealised loss (perhaps a gain in the odd case) on loans and advances.

While there was an exchange gain on sales made after devaluation of the New Zealand dollar, the formal 5 per cent devaluation on Budget night probably added to the loss experienced on moving exchange rates before the Government altered the dollar's value.

We say "probably" because, in the absence of figures, it is impossible to work out how exchange fluctuations affected the result.

Waitaki's associated companies include F J Walker, the Australian company which is equity accounted for a 21.67 per cent shareholding, and the British company Towers International Ltd, in which Waitaki has a 50 per cent interest.

1979 Waitaki NZ Refrigerating Limited Annual Report and Statement of Accounts

The income statement shows $1,011,579 as "share of income in associated companies". Neilson's review says that Walker's net profit after tax was $6,549,000 in Australian dollars. Waitaki's share of that amount was $1,419,000, again expressed in Australian dollars.

If dividends received were added back to the share of income in associated companies, the total associates comes to $1,544,794.

An adjustment to New Zealand dollars for the Walker contribution brings the Australian group's share of the income from associated companies close to $1.5 million, which suggests that other associates made a minimal contribution.

Again we can only "suggest", because the information is unavailable.

The effect of exchange variations on inventories is even harder to assess, due to the treatment of this item.

Waitaki records "trading inventories held overseas and locally" as $42,460,669 at balance date, compared with $29,892,172 in 1978, a rise of 42 per cent. The rapid increase in export prices for meat and a higher level of trading, accounts for most of the change. What is the effect if any, of devaluation on the inventories "held overseas"?

The report is silent on this point, so the reader has to guess. Waitaki may hold the local valuation in its books until the goods are disposed of, or it may set an overseas currency value, based on the statement of accounting policies:

"Trading inventories are valued at the lower of cost or net realisable value with due allowance for slow moving items. Cost is determined on a moving average basis and includes the cost of acquiring the stock and bringing it to its existing condition and location, including all directly related overheads".

These criticisms apply to most meat companies. It must be conceded that Waitaki's annual report is among the best in the industry. The company releases sales figures, a statement of tax liability, and a useful breakdown of other items in both the profit and loss account and the balance sheet.

Information on the effect of exchange fluctuations would round out the report, because last year's movement may have unduly influenced the result.

A rise in net profit from $8,572,914 in 1978 to $11,941,003 last year was good, but it comes into perspective when examined in relation to key ratios. Waitaki's return on capital was 49.5 cents a share, but profit was only 11.5 per cent of shareholders funds. While the return was an improvement on the previous year's 9.4 per cent, the company is still well away from 1975's 14.2 per cent.

Group cash flow (group income, excluding the share of associated companies income retained in the associates, plus depreciation) was 8.35 per cent of total assets, as against 7.6 per cent in 1978.

The return is sufficient to finance the business with the aid of outside funds, but is hardly remarkable for a company with ongoing development and upgrading programmes, and facing regular increasing costs of working capital.

The report says that the "income after tax dealt with in the books of the parent company" was $10,960,415, so at least one subsidiary (possibly Teknu Knitwear Ltd) must have made a sizeable loss, after adjusting the figures for minority interests and the share of associated companies' net profit.

Brokers propose overnight promissory notes

THE Auckland sharebroking firm of Leuschke, Whiteman and Co is setting up an inter-company money market, based on promissory notes, and operated through the firm's money market department.

Approaches are being made to a list of proposed participants. The list includes major companies listed on the stock exchange, several large non-listed companies, producer boards, finance companies and merchant banks, insurance companies and official money market dealers.

The firm's explanatory literature says that the inter-company money market provides the means for corporations with surplus liquidity to earn competitive rates of interest by placing deposits on an overnight basis; at 24 hour call, or fixed term.

The deposits are placed with other corporations who require temporary working capital, also at competitive rates.

"Only institutions of strong financial standing are eligible for borrowing in the market", and the market is said to "parallel similar markets in other parts of the world".

The section on "lending limits" says that lenders generally arrange to have their respective boards approve individual companies and lending limits.

"These limits are set by individual assessment, and as a general guide, range from, say, $250,000 to in excess of $2,000,000 for major corporations".

"The Board approval enables the finance executive to take advantage of interest earning opportunities expediently as and when they occur".

The broking firm will act as brokers in the market and, on a daily basis, contact institutions likely to be either borrowers or lenders.

The brokerage payable by the borrower is 0.25 per cent due at the time of receipt of a term deposit or at maturity of a call deposit unless that call deposit extends over a three month period, in which case it is payable quarterly.

The borrowing and lending rates are described as "the market rates which are advised by Leuschke, Whiteman and Co".

The market would operate on an unsecured basis. Protection to the lender, "and to exercise some control," is based on the borrower's covenant with the lender that it will immediately repay the deposit in the event that it has breached its trust deed, or, in cases where there is no trust deed, that liabilities are more than 60 per cent of total tangible assets.

The deposit is acknowledged to the lender under the signature of an authorised signatory.

"This acknowledgement is a promise to pay and therefore in the event of a default thereon, may be actionable by a bill writ".

The firm's literature sets out the proposal in impressive terms, and the list of "proposed participants" is imposing.

It remains to be seen how many organisations avail themselves of the scheme, particularly as there is already a well-established money market in New Zealand, with facilities available which cover the same time spans.

The advantage of the proposed market is said to be the probable lower rate available to the borrower.

The borrower and lender will operate on the same rates, plus the brokerage element. The present method of arranging money through a merchant banker works on a spread between borrowing and lending rates, with the merchant banker taking the difference.

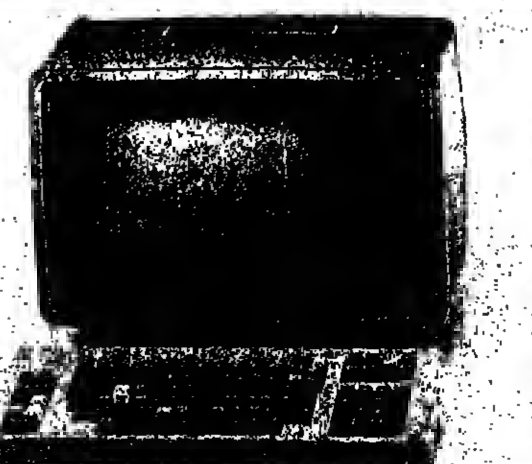
The attitude of merchant bankers to the proposed market will be interesting. Most of the country's merchant banking firms are on the list of proposed participants. The brokers suggest that merchant banks will be interested in the market when they need short term funds for their own account.

Money is money, and provided the price is right most borrowers will take it where they find it. But the merchant banks have a network of relationships with companies, and supporting an alternative market in one aspect will strengthen other aspects of that market to the possible detriment of the merchant bank's interests.

The new market will take time to prepare and bring into operation. It is understood that the broking firm has only just begun discussions with the list of proposed participants, mainly in the Auckland area, which is Leuschke Whiteman's base.

Assuming that the market develops, there could be a sizeable pool of funds available in a few years when the money for the various industrial development projects flows into the country.

"I'm self-employed."



O'Brien on business

Real retail retreat indicates stagflation trend

RETAIL sales have fallen for the second quarter in succession in real terms. The Department of Statistics summary of retail sales for the December quarter, published last week, confirms the widespread view that consumer demand slowed in the final quarter of 1979.

Seasonally adjusted total sales on 1974 prices (which removes the effect of inflation) were $824.8 million in the December quarter, compared with $843 million in 1978.

The detailed figures attached to the press release allow the true assessment, which must be with the previous December.

The December on December statistics show a decline in real terms of 2.16 per cent, as against a drop of 1.63 per cent between the two September quarters.

The department provided a store group breakdown in seasonally adjusted terms for the first time.

People are cutting back on expenditure by purchasing a smaller volume of particular types of goods.

Rising meat prices had an effect on the butcher, poulterer store group. This section recorded sales of $30.6 million, seasonally and price adjusted, in the December quarter of 1979, compared with $32.5 million in 1978.

The other food store groups ("grocer, dairy", and "other food") had higher sales on this basis when related back to the previous year. The "grocer, dairy" group went from $200.3 million to $209.5 million, while "other food" moved from $55.7 million in 1978 to $59 million last year.

They were the only two of eleven statistical subdivisions to show an improvement. In percentage terms, the household appliance and electrical goods suffered most in the year on year quarterly comparison, with sales falling 8.2 per cent in real terms.

Apparel sales declined 7.5 per cent, which probably explains the numerous sales in clothing stores, boutiques and other apparel outlets since January. An erratic summer accounts for part of the downturn, but the drop in all retail sectors suggests that weather was not the only factor in the tough trading.

General department and variety stores saw their sales retreat 11.1 per cent in real terms. While this was the largest cut among the various store groups, the diversity of goods sold distorts the comparisons with other groups.

Therefore the appliance and electrical goods group seems the worst affected. Goods sold in those stores are "generically" closer to each other than the wide range on offer in department stores.

There are several explanations for the drop in sales of household goods, furnishings, and builders hardware.

Three come to mind immediately, although there are probably others.

Housing completions have fallen steadily for three years, and are now about 15,000 a year. There is lower demand in the "initial purchase" market.

The appliance group, and some types of furnishings, sell a reasonable proportion of their goods on time payment. Higher interest rates on conditional or hire purchase agreements deter some potential purchasers, in spite of the knowledge that rising wage rates will offset at least part of the increased interest charge.

Sales of colour television sets are levelling out. The high unit cost of a colour TV receiver has a solid impact on total appliance sales, the effect being in direct proportion to the number of unit sales.

The continuing reduction in retail sales, expressed in real terms, has serious implications if it persists at a time when current and potential prices move up rapidly (see article on the General Price Index on page 14), and wage rates are increasing.

If wages and prices increase while demand (as expressed in retail sales) falls, we are back in the economic phenomenon of the 1970s: stagflation, an ugly word but the best description of the trend.

Falling demand works back to wholesalers and manufacturers who make and sell less. They are under pressure from wage demands which are calculated to catch up on [..] prices. Since the produc[..] units are making and s[..] less, price rises or [..] layoffs are their only alter[..]tives to going out of busi[..] The inflation rate goes [..] again, demand is adju[..] and the circle is complete.

Tax cuts, easier restr[..] on banks and other finan[..] institutions, changes to [..] purchase regulations, [..] control of wage movem[..] are policies designed to [..]imise the effects of the cy[..]

Those policies will pr[..]ly be reinforced this ye[..] the deterioration in the e[..]omy continues. Whether [..] will solve the problems is [..] other matter.

The latest retail figure[..] conjunction with other e[..]omic indicators, sugges[..] tough time in the m[..] ahead.

New BP company

Continued from Page 1

office records the main objects of the company are:

- To negotiate or enter into agreements or arrangements with other parties – Government or private – relating particularly to exploration development;
- To prospect, explore and develop resources;
- To search for, exploit, develop and market petroleum and other fuels, minerals and so on.

According to clause 25, another of the company's objects is:

"To take all necessary or proper steps in Parliament or with the authorities, . . . local, municipal or otherwise, or any place in which the Company may have interests, and to carry on any negotiations or operations for the purpose of directly or indirectly carrying out the objects of the company or effecting any modification in the constitution of the company or furthering the interests of its Members, and to oppose any steps taken by any other company, firm or person which may be considered likely directly or indirectly to prejudice the interests of the Company or its Members".

Farrell pointed out that his responsibility was in the exploration area, but said the wording was straightfo[..] documents of the o[..] company -- incorpora[..] 1956.

In Britain, BP has re[..] a £2 million campai[..] counter what it consid[..] "negative" image.

The theme of the adv[..]ing is "BP: Britain at its [..] The aim is to convince [..] public that BP is British [..]cessful, and more than [..] oil company.

Examples of sponsor[..] being undertaken this ye[..] the British company inc[..] The BP Energy Research [..] (a scheme to encourage [..]servation research proje[..] The Faraday Lec[..] (around £20,000 for the [..] series of these lectures) [..] substantial contributions [..] the arts.

Inflation vow

FEDERAL Reserve Bo[..] chairman Paul Volcker h[..] promised to maintain a ste[..] course in fighting inflation [..] slowing growth in the mon[..] supply.

"If we are going to deal w[..] this problem (of inflation) th[..] growth of money and cre[..] has to be reigned in," Volcke[..] told a meeting of the Am[..]rican Association of Retire[..] Persons.

Overseas trade

Fencing turns world deer hunters into farmers

by John Draper

DEER farming, New Zealand-style, is leaping round the world opening the gate for a local farm supplier to export.

Other countries have herded and fostered deer in the wild for venison, antler velvet and hides for centuries. But the New Zealand hunter has turned farmer with the aid of a two-metre high fence.

Christchurch-based Cyclone Industries (NZ) Ltd have been riding on the deer's back since being asked to develop a suitable fence in 1969 by Lincoln College.

The original fence was quite different from the product that factories in Christchurch and Dunedin are now turning out day and night. Though not the only suitable fence, Cyclone's "Tightlock" is the standard on which Government regulations are based.

Marketing and export manager Doug Columbus said Cyclone worked closely with the game processing industry and demand for "Tightlock" was strong as the helicopter gunships swapped rifles for nets and deer farming took off.

And with the domestic market under control, Cyclone looked at export.

Australia was "the obvious choice" and contact was first made with New South Wales deer breeders in 1976.

In July 1977, Cyclone set up a demonstration for the deer breeders association and "from there we never looked back", Columbus said.

Australian deer farming has grown rapidly over the last two years, though most farmers are still building up herds and are not yet as well developed as on this side of the Tasman.

Fifteen thousand deer are in captivity in New South Wales alone with farms spread from Queensland through to Western Australia.

With Australia won – despite protests from deer farmers there that $190 a 100 metre roll is expensive – Cyclone looked further afield to Scotland.

The Scots have been experimenting with deer farming for much longer, though not in the same style as New Zealanders. And fencing suitable for containing deer has long been in demand for protecting motorways, gameparks as well as for farming.

Columbus said that Cyclone sent a token shipment of fencing to Britain in 1978 to be sold through farm suppliers. Now container lots are regularly shipped.

Sales have also been made in Ireland and more recently a token order won from Hawaii.

The fence is also used exclusively at Orana Park in Christchurch and for internal fencing at the Otaihanga lion park near Wellington.

Deer are more sensitive animals than sheep or cattle and easily frightened, Columbus says.

And as well as being tall the fences have to withstand the onslaught of the stags in the roaring season and are therefore made of high-tensile wire.

The demand for fencing is keeping Cyclone busy round the clock. And though exports are doubling each year, Columbus claims they are not responsible for the backlog of orders.

"Our export orders would not make any significant difference to fulfilling the domestic order book," he said.

Expansion is proceeding in Dunedin and Christchurch after deciding against developing a new venture closer to export markets.

Although domestic demand is close to peaking, the American interest in deer farming is only now coming alive.

Cyclone is already exporting other fencing products to the United States, mainly industrial fencing, barbed wire and staples from Auckland.

Cyclone's recent results for the half year to December 31 1979 show a 65.7 per cent growth over the same period in 1978, reflecting export growth and the demand for deer fencing.

Battle lines drawn for freight cost debate

ANOTHER survey will be made of trans-Tasman shipping services – and it looks like being a replay of a 1978 study.

The 1978 study found that high transport costs were inhibiting trans-Tasman trade. Shipping companies argued the the economies of the study were faulty and although the Tasman was one of the dearest stretches of water in the world no firm was making exhorbitant profits.

A union company spokesman told *NBR* that although "the company got a lot of stick at the time, our own surveys have found that the effect of the freight rates on export opportunities was more apparent than real."

The latest study announced by the Australian and New Zealand Ministers of Transport is to be a joint study by the Australian Bureau of Transport Economics and the New Zealand Ministry of Transport.

The study is looking at three major areas;

- the structure of sea freight services and how the costs are made up.
- the relationship between costs and freight rates.
- measures that could be taken to improve efficiency, lower freight rates, and the effects of lower freight rates on trans-Tasman trade.

The two main protagonists in the 1978 battle – the Union Company and the Manufacturers' Federation – have already made their respective positions clear.

A spokesman told *NBR*, that despite complaints about freight rates, tonnages across the Tasman kept on going up.

"The lack of competition is also a bit of a myth. Apart from the Union Company, there's also the Australian National Line, New Zealand Shipping Corporation, Maritime Carriers and other vessels.

"Our surveys on the effect of freight rates on market development told us that while a lot of people believed the hearsay evidence that the Tasman was costly, in fact the rates had little to do with export opportunities."

The Manufacturers Federation reports one consistent thread among the grumblers – it's an expensive stretch of water to cross.

Local government

Country folk clamped in city bureaucrats' vice

by Colin James

BUSINESSMEN are well aware of the cost of central governmeat — not just in tax, but in the extra staff and work needed to meet hundreds of requirements imposed on them.

They are not the only victims. Local government has become more expensive recently — largely because of central government requirements.

For the most part, it is the ratepayer, not the taxpayer, who foots the bill — whether or not they agree with the bureaucrats in Wellington.

And the bureaucrats tend to prefer uniformity. Smaller councils argue that some requirements, highly desirable for dense urban development, are inappropriate for sparse rural living.

Two examples: The tiny Whangaroa county in the far north used to have a part-time noxious weeds inspector. He also doubled as part-time building inspector.

County clerk John Wells says the man was accepted by the Ministry of Agriculture and Fisheries as "one of the top weeds men in Northland." "But they changed the system so that you cannot employ part-time officers. They must be full-time," Wells says.

"So we have appointed two full-time inspectors." Since the central government pays a 50 per cent subsidy on the cost of noxious weeds inspectors, its share of the cost has doubled along with that of the county.

Chicken-feed for the taxpayer. But on a total county budget of $200,000, the extra cost is a significant additional burden.

The second example is the requirement on local authorities to prepare management plans for reserves.

Bay of Islands county manager Maurice Plowright acknowledges that in some cases this is highly desirable.

"But most of the reserves we have got are pretty passive — open land on the foreshore and so on. We don't think the pressures to do anything with them are great."

Whangaroa, which boasts one of the country's most beautiful, but remote, harbours, agrees. Wells says Whangaroa has not produced any management plans and sees no need for them.

Reserves are kept for a purpose, he says, and developed and maintained for that purpose. Changing circumstances make it "impossible to purchase a document which is going to be on an A-Z of management of a particular piece of development."

Many of the local authorities' additional responsibilities have been imposed by town and country planning legislation.

Much is desirable, says Plowright, but it costs money.

The local authorities must now do all the serving of notices — which may be a saving in the total cost, compared with individuals having to do it, but it adds to local authorities' costs.

The council must also approve any excavation within 20 metres of a road or adjoining property.

Plowright acknowledges this as a desirable protection for land occupiers, but only a tiny percentage of the ratepayers who have to carry the extra cost of the inspections might ever have cause to feel grateful for it. If it works as it should nu one will.

Planning and health requirements also hit tourist and retirement development areas. Water and sewerage schemes have to be provided.

Higher interest rates which resulted from the Government's freeing of controls in 1976 have also had their effect.

Loan money is easier to get, but debt service charges are higher.

Whangaroa is embarking on a $250,000 sewerage scheme, required by the Health Department as a prerequisite for further development at Kaeo. Interest charges will be $35,000 a year — 17.5 per cent of the total current budget.

Not only do local authorities find they have more to pay for. In some cases central government action has reduced their ability to pay.

Some years ago the backward state of Northland's county roads was recognised by a special subsidy from the Roads Board.

But this subsidy has been cut — in Whangaroa's case in two successive years. From 69 per cent it has dropped to 61 per cent. This will add an extra 6.5 per cent to rates in the coming year.

And Whangaroa's attractive coastline, its best prospect for revenue-earning development, is turning into a liability.

The Crown has been acquiring coastal land, taking it out of reach of Whangaroa's rate collectors.

Wells tells of two islands which three years ago brought in $2000 in rates from some of the most highly rated land in the county. Crown purchase has shifted that burden on to the remaining ratepayers.

So rates have been under pressure. Bay of Islands has held its increases to 70 per cent over the past five years, well below inflation, and exhausted its reserves in the process.

In the same period Whangaroa rates have gone up by about 150 per cent, well above inflation.

The issue is partly one of control. Whangaroa was pressed to use neighbouring Manonui's or Bay of Islands' noxious weeds inspectors instead of appointing a fulltime inspector of its own.

But, Wells said, the country felt that it would lose control, both over his operation and the cost of the service (which its ratepayers would still pay for). Local residents would have to go outside the county to get hold of the inspector. And, Wells argues, a local man would be more likely to get co-operation.

Plowright says local authorities seem to be "becoming an agency for central government. Most of the things we do the Government has got its tight hand on.

"We are moving towards a situation where we can make decisions, provided central Government agrees."

Asked what his county could stop doing to save rates, Plowright says it boils down to rubbish collections (and those are paid for by a special rate on those using the service) and filling potholes.

Hand in hand with greater central Government control is pressure for regionalisation. Northland has just elected a united council — another cost to ratepayers.

There is much resistance in the far north to the united council, which far-northers say will not be sensitive enough to their particular needs. "Northland" has too often meant "Whangarei", they say.

Plowright would prefer some rationalisation of the counties — amalgamating the four most northern counties into two and incorporating power board and catchment authority functions.

But Whangaroa fiercely resisted an attempt to merge them with their big brothers a few years ago — Hokianga rejected a Government bribe of $500,000 to upgrade roads in its area if it agreed.

Local government of the local people, by the local people seems to be the slogan. In the big cities where the average citizen is as divorced from the council as they are from Parliament, this may seem a quaint and even absurd notion.

But to the 1500-odd residents of Whangaroa, with their new brick county chambers and a stubborn distance from Wellington, it still seems to have some meaning.

Taxation

Tax planners offer barrage of strategy tips

by Peter McAra

NEW Zealander's are just as complacent about taxation planning as they are about anything else.

The average businessman or company executive regards the company accountant as a bright chap who is up with the play on the legislation. Thus he will not seek expert advice.

With tax rates of 45 per cent for companies, 60 per cent for individuals, and with the laws continually changing, it is not enough to have an accountant employed with part-time taxation duties. Nor is it sufficient to send selected company personnel to tax seminars, where they can pick up only limited knowledge.

Tax planning can be likened simply to a rugby match. The objective is to score points (valued in dollars) by raising the level of allowable deductions and lowering or eliminating the amount on which income tax is levied.

The game is an annual event, and many changes to the rules apply after each Budget. So you must be on the ball.

Your team comprises you and your professional tax advisers. Your emergencies are the competence and standing of your advisers.

You will be lined up against a well trained and organised team of 3000 Inland Revenue spoilers, stategically placed round the field and backed up by qualified inspectors who are ready to move quickly to plug the gaps you may find in their defence.

The emergeacies are 92 legislative assistants who will change the rules if you score in the first half.

The touch line is the thin line between arranging your affairs in accordance with the law to minimise tax payments, and the Inland Revenue Department's argument that you are merely trying to avoid a proper tax liability.

There are firm rules of course.

• Have your plans approved by the Inland Revenue Department before deciding on a course of action (an overseas business trip for example). Obtain approval before you depart and perhaps your spending can be a little higher.

• Don't give up too easily. Many cases are won or lost on the manner of presentation and the amount of information given to the department.

• Seek professional advice if your claim is disallowed. You have only one month to object to the decision, and many claims are dealt with through the exercise of discretion. The decision may have been taken by a recently appointed clerk.

• Disclose all the material facts in your income return. If you don't the commissioner may reassess your tax liability as far back as he wishes and add penal tax, which can be up to three times the amount of tax that should be paid. Example: Dr William Sutch's estate has been charged with almost $40,000 going back to 1966. Someone must pay even if you commit the evasion.

• Give all the information you have, including a breakdown of expenses. This saves you time in the long run with fewer questions raised.

• Don't prepare schemes that are too subtle. The Inland Revenue Department and the courts look to the nature of the transaction. If a tax avoidance motive is suggested, the transaction can be set aside for tax purposes. You will be minus the legal fees involved in setting up the company or trust, for example, plus the court costs. And in the Newton case in 1958, the commissioner assessed an additional $1.2 million penalty for late payment on top of $3.5 million additional taxes.

• Consider sharing your income with your wife and children through either wages or a trust or company. But if you have your wife as a company director, don't be unreasonable in the amount of fees made. The commissioner looks at what would be realistic amount paid to an outsider.

• Don't make any family arrangements without seeking competent legal and taxation advice. One farmer gifted his farm to his son, who died, and his daughter-in-law's next husband told father his presence was no longer welcome.

• Have your company pay your private expenses on your behalf. This is in effect a tax-free payment, because it is normally exempt of taxation. But if you are a substantial shareholder in a private company, don't have your company pay for and claim your private expenses. The Inland Revenue Department has the power to disallow these expenses and then add them to your income as dividends — a double taxing.

• Make a claim when in doubt. The department can only disallow it and normally will not add any penalty.

• And note that an accountant can give competent advice in his own field, which is not normally tax planning.

Everard's 10-year frustration in push for drive-ins

by Katherine Findlay

DRIVE-IN cinemas are as American as apple pie, '55 Chevys and southern-fried chicken. But the so-called "passion pits" of the 1950s which survive today in the United States and Australia as a viable alternative to "hard top" movie theatres, seem destined never to become part of the New Zealand entertainment scene.

Whether this leaves us with a yawning cultural gap is a matter of opinion, but the facts of one man's attempts to introduce drive-ins to New Zealand — and the bureaucratic thwarting of those attempts — are a strange commentary on a country which purports to encourage free enterprise.

Businessmen as illustrious as supermarket king Albert Gubay have flirted with the drive-in dream, but the one name which has become almost synonymous with it is that of Auckland film distributor, Barrie Everard.

Thus far the structure of the film industry, the strictures of Government red tape and the untimeliness of the latest fuel crisis have conspired to defeat his efforts to establish a drive-in complex. Bloody, slightly embittered, but unbowed, he vows to fight at least one more round.

Australian-born Everard arrived in Auckland 13 years ago as sales manager for Columbia NZ Ltd and saw what he describes as "a big hole" in the cinema facilities which this country provided.

He visualised a chain of drive-ins to fill the gap.

Almost a decade ago he first broached the subject to Government. It is a decade which has encompassed extensive research from Auckland's climatic conditions to the latest in cine-equipment; the finding and relinquishing of an ideal twin drive-in site; the formation and reformation of several companies and, not least, the expenditure of $30,000.

It is a saga, rather than a story, which emerges from a drawerful of files marked "drive-ins" in Everard's plush Kohimarama office. It begins with a letter dated August 25, 1970 from the then Internal Affairs Minister, David Seath. It is the response to inquiries from a group of Auckland businessmen, of whom Everard is one, about the possibility of establishing a drive-in theatre. Seath's reply: "The Motion Pictures Exhibitors' Association is naturally concerned because of the possible effects on hard-top theatres. There has not been any public demand for such facilities and the cinema industry of this country is only now starting to recover from the effects of the introduction of television."

These are arguments which became sickeningly familiar to Barrie Everard over the ensuing years. At that time he shelved his interest.

In 1972 he was appointed general manager of Columbia Warner Distributors, a job which meant close dealings with Kerridge-Odeon and Amalgamated Theatres Ltd.

This conflict of interest with the 'big two' who have steadfastly opposed his drive-in ambitions is a fact of life which exists to the present day.

His distribution company, Everard Films, of necessity distributes to both Kerridge-Odeon and Amalgamated.

But in 1972, Allan Highet assumed the Internal Affairs portfolio.

Everard tested the new Minister's reactions to drive-ins and after the latter's consultation with Kerridge-Odeon and Amalgamated, was told that drive-ins were not in the interests of the film industry.

"Quite true," says Everard wryly. "Those guys were the industry."

Everard's interest was recharged fully with the change of Government later that year.

With solicitor Jim Kingston and businessman Paul Smit, he formed Auckland Amusements Ltd and resigned from Columbia Warner to devote himself to the cause.

He remembers clearly what Sir Robert Kerridge said to him at the time: "You won't do it Barrie. You know I'll stop you."

Everard remembers his own naivety. "I grossly underestimated his influence within the industry and with the government," he says of the celluloid knight. "He wasn't interested in seeing a viable alternative to the two chains emerging. And drive-ins would have allowed us to become an alternative for distributors."

At that time he launched himself on to the Labour Government, stressing the family appeal of drive-ins which included the ease of parking and the lack of necessity for babysitters.

Norman Kirk seemed interested. Everard felt, too, that a Labour Government should approve the breakdown of the two-chain structure.

"In the long term such a breakdown could have prevented virtually all the money that was being earned in the film industry being remitted out of the country," he says.

By 1974, Auckland Amusements had acquired an option on 7 hectares of land at Onehunga, which, according to one of the overseas experts Everard consulted was the most ideal drive-in site he'd ever encountered.

But Everard had reckoned without the death of Kirk and without Henry May as Minister of Internal Affairs.

May, who was known to have little interest in the cinema as a form of recreation, added to the list of objections.

He argued that the Government needed land for housing rather than drive-ins.

Barry Evarard . . . "I believe in drive-ins, and I'm going to ... it."

That it needed to avoid more use of fuel; that drive-ins would create a law and order problem and that they would possibly be detrimentally affected by the second television channel.

He even cited the future state of the economy of the western world, for good measure.

Needless to say Everard accepted none of these as reasons for giving up the struggle, but changed tack.

— an epic in entreprenurial perseverence

Allan Highat . . . in favour of drive-ins

"With an attitude like that," he says, "I knew we had to try and create public demand for drive-ins."

So he began the media lobbying which he feels may have earned him the label of fanatic.

In July 1974 his company commissioned a nationwide Heylen survey which showed that 68.2 per cent of the sample surveyed were in favour of drive-ins and a further 14 per cent had no opinion either way.

It concluded that "no significant resistance factors towards the establishment of drive-in theatres were mentioned."

May was unimpressed. The Government, he said, was not run by surveys.

Everard meticulously supplied costings to May's department and details of the sums which would be required, in overseas funds, to set up a twin drive-in complex on the Onehunga site.

(In 1974 he estimated the cost at $496,220. Five years later the estimate is close to one million dollars.)

He lobbied Prime Minister Bill Rowling — unsuccessfully. A letter from Rowling dated April 14, 1975, says that the establishment of drive-ins would be a drain on overseas funds.

(Eversrd's estimate was around $30,000 at the time — hardly a drain when compared with equipment for the Avalon television centre or even the equipment for the Cinema 1 and Cinema 2 complexes in Auckland).

He also pointed to the need for fuel conservation. "Any move to set up a new type of entertainment based totally on the use of private motor cars would be quite inappropriate," concluded Rowling.

Ironically at that time drive-ins on the biggest American circuit were doing great business. Inflation and the energy crisis were forcing people to seek entertainment closer to home.

Meanwhile the Government was revising the Cinemagraphic Films Act and this revision was still at the select committee stage by the elections of November 1975. National had mentioned drive-ins in its manifesto:

"We undertake to investigate drive-in cinemas with a view to establishing them in New Zealand," it said.

But first they had to clean up the act. Everard who had by this time formed his own film distribution company, made submissions to the select committee.

He objected particularly to the establishment of a Film Trade Board which had the power to make recommendations to the Minister on changes in the industry.

"It was the film industry telling the public's representative what was good for the public," he says. "As I saw it, they were the last ones to be doing that."

By 1976 Allan Highet had let it be known publicly that he was in favour of drive-ins.

But he could see the difficulties of Everard's virtual one-man band against the power of the two chains.

It was he who suggested a consortium which would include the "big two" and any independents who wanted to join in.

The consortium would set up "pilot" drive-ins in Auckland and Christchurch, where independent cinema owner Lang Masters already had city council approval to convert the Queen Elizabeth II car park into a drive-in.

But the response from independents was discouraging. Only one expressed a desire to join such a consortium.

"Most of them believed that drive-ins really would affect their business and most felt that the size of the interest being offered (50 per cent with Everard's company, with the other 50 per cent going to the "big two") wasn't big enough," says Everard.

The consortium was finally formed with Everard's company and the one independent taking a third share and Kerridge-Odeon and Amalgamated taking up a one third share each.

Sir Robert Kerridge still opposed drive-ins but if they were inevitable he wasn't going to miss out.

Amalgamated, which had had experience of drive-ins in Australia, was a more willing bedfellow.

Everard, and perhaps Highet, had reckoned without the Film Trade Board. The former assumed that the latter would ask the board for its consideration of the pilot scheme and as two members of the consortium (Larry Vella, of Kerridge-Odeon, and Joseph Moodabe, of Amalgamated) were also on the board, approval would be a mere formality.

But for its meeting of February 28, 1978, Highet put two propositions to the board. The first was that it approved of drive-ins in principle, the second that it approve a pilot scheme.

Board chairman Desmond Sullivan was ill and couldn't attend that meeting. His deputy and the only other independent on the board abstained from voting that day.

Highet called for a second meeting on April 18 and votes were taken on the introduction of a pilot scheme. Again the meeting ended in a stalemate.

The board did not favour any scheme whereby Everard was associated with Kerridge-Odeon and Amalgamated. But board representatives of the latter two vetoed a vote on a general scheme which might not necessarily involve them.

An exasperated Minister deferred any decision on the subject for a further 12 months.

Everard comments: "The board eventually trotted out the old arguments about the possible detrimental effects of drive-ins on hard tops, and the economy. They really had no right to concern themselves with the country's economy. But I suppose it would have been political suicide for Highet to over-ride them."

These meetings were to be the closest Everard came to realising his dream. At the time he was seemingly undaunted.

He dissolved the consortium and set up a new company called Drive-In Cinemas (NZ) Limited, whose shareholders were Radio Hauraki Ltd and Trans Holdings Ltd as well as his own company.

"We decided we needed more clout and grunt," says Everard. Clout and grunt included an increase of media and political lobbying.

Everard filmed a drive-in in Australia and showed it to the independent members of the Film Trade Board.

"It was obvious from their

Turn to next page

Cinema chains dominate industry

by Katherine Findlay

THE cinema chains of Kerridge-Odeon and Amalgamated Theatres Ltd, own 78 of the country's 168 movie theatres.

Only three metropolitan cinemas are independently owned and about half of other independents have fewer than five screening days a week.

The "big two" take an estimated 85 per cent of all cinema revenue and as Kerridge-Odeon is 50 per cent owned by the British Rank Organisation and Amalgamated 100 per cent owned by 20th Century Fox, it can be assumed that a large amount of money is remitted overseas.

Their domination of "first release" outlets means that they also exert a strong interest over the film distribution business.

The film industry is governed by the Cinematograph Films Act 1976, which is administered by the Department of Internal Affairs subject to the control of its Minister, Allan Highet.

The act authorises the setting up of a Film Trade Board of eight members.

Two are completely independent of the industry — the chairman, Desmond Sullivan, SM and Peter Luxford, CBE.

Two represent the renters of films and have no financial interest in the exhibition of them — Richard Weatherley, general manager of New Zealand Film Services and J Reginald Felton, managing director of Cinema International Corporation.

There are two representatives of independent cinema owners (of not more than 20 cinemas) — Merv Kisby of the Paramount Theatre in Wellington, and Alan Meekings of the Starlight Cinema in Papatoetoe.

Representatives of exhibitors who own or control more than 20 cinemas and who have a financial interest in the renting of films are Larry Vella of Kerridge-Odeon and Joseph Moodabe of Amalgamated.

The Film Trade Board's prime functions are to observe the standards of film exhibition and amenities offered to the public and to make recommendations to the Minister, to the Films Licensing Authority, or to "other such persons as it thinks fit", on matters concerning the film industry.

The Films Licensing Authority is the judiciary body of the film industry.

It has three members with no financial interest in the exhibition or renting of films. They are Ron Kebbell, Ken Follis and Bill Sheat, who is the chairman.

The authority's basic function is to determine applications for the granting, renewal, amendment or variation of film exhibitors' and renters' licences.

It is also empowered to "prescribe conditions to be complied with as to the provision and maintenance of facilities, amenities and standards and such matters as it thinks necessary or expedient relating to any cinema, having regard to the requirements of the locality in which the cinema is situated."

Section 52 of the act concerns drive-ins. It states:

"No application for an exhibitor's licence in respect of any drive-in cinema shall be dealt with by the Licensing Authority before a date to be fixed by the Minister by notice in the *Gazette*. Before fixing a date under this subsection the Minister shall confer on the matter with the Film Trade Board."

The Minister can, however, ignore the recommendations of the Film Trade Board.

No licence was needed

DRIVE-in movies in Tolaga Bay?

Yes and no . . . films were shown outside, and people did drive up in their cars to watch the performance.

Barrie Everard, long-time lobbyist for the establishment of drive-ins, thought someone had got into the act despite the Government veto, and warned that his company would follow suit.

But the film showings, screened in the holiday period at the East Cape resort, did not require an exhibitors' licence in the terms of the film act, according to a spokesman for the Department of Trade and Industry.

"The act allows a wide variety of people and organisations to screen films without a licence," he said.

"The films were shown over the holiday period as a community fund-raising effort, but no commercial exhibitor was involved.

"We can't stop people using standard projection equipment in the open air — nor can we stop people driving up and watching."

Despite the apparent break-through at Tolago Bay, and Arts Minister Allan Highet's favourable attitude to drive-ins, the "energy crisis" remains the Government's excuse for its veto on "a form of entertainment which encourages the use of motor vehicles."

Special feature

From Paga 21

reactions that they knew nothing more about drive-ins than what they'd heard from the people who opposed them," he says.

The company bombarded politicians with information about drive-ins gleaned mainly from Robert W Selig, senior executive of Pacific Theatres, Los Angeles — a company which owns the largest drive-in chain in the world.

Most MPs acknowledged the correspondence and seemed in favour, thougb most pointed out that it was the bag of their esteemed colleague, the Minister of Internal Affairs.

Only one, David Caygill, wondered why a decision on the establishment of a drive-in theatre should have to be sanctioned by Cabinet.

As part of the media awareness campaign the *Auckland Star* 'Scene' column in May 1978 conducted a poll. It fouad that out of the 2006 acceptable forms retumed, 1854 favoured the introduction of a drive-in theatre in Auckland, leaving 152 against.

The anxiously awaited meeting of the Film Trade Board in May 1979 was deferred because, according to Allan Highet, certain members weren't going to be able to attend that meeting.

In August another member wasn't able to attend, so a meeting was again deferred.

The Minister called for a special meetiog where a decision would be made on the introduction of drive-ins on October 9.

Sick of these deferrals another Aucklander, David Dunningham, who has been treading the same weary path as Everard, pressured Highet for a decision on the subject one way or another.

It seems ironical to Everard that Highet yielded to this pressure and agreed to take the matter to Cabinet without further consultation with the Film Trade Board. He says he knew that Cabinet's answer was likely to be unfavourable. It was, and on August 24 last year Cabinet decided that the energy crisis would not permit the introduction of a form of entertainment which encouraged the use of motor vehicles.

"The Government's decision is not final and I shall be keeping a close eye on the economic situation," said Highet in a press statement. "When the time is suitable I shall ask Cabinet to review its decision."

Everard concedes the political folly of introducing drive-ins, which by name alone imply more usage of fuel in times of carless days and gasless weekends.

His latest information from Robert Selig is that his chain has just had its best summer ever during California's worst fuel crisis ever.

Again, people are not travelling such distances and are seeking entertainment in close-to-home places such as the local drive-in.

What Everard will not concede is that a decision on whether or not New Zealand has drive-in theatres should concern the Cabinet.

Highet disagrees and sounds shocked at the suggestion that this is perhaps not a matter for Cabinet to spend precious time on.

"On course it must be a matter for Cabinet," he says. "And Cabinet is adamant that nothing be done until the fuel situation improves."

So both men are biding time. Everard's company has given up its options on the Onehunga land, the maintenance of which has eaten away most of the $30,000 he has already spent on his dream.

He admits that he does feel bitter that such protectionism in the New Zealand film industry is allowed to continue.

Australia's attitude is laissez-faire and if you want to set up a drive-in you sink or swim according to how much homework you do.

He admits too, to being tempted to give up the drive-in fight, concentrate 100 per cent on his growing distribution business and has even considered taking its dollars out of New Zealand and make its head-quarter in Sydney where he has a branch office.

Highet re-affirms his personal favour for drive-ins as a form of entertainment and says Everard has been unlucky.

The outcome of the Film Trade Board meeting of February 28 1978, may have been different had chairman Sullivan been present, he says.

He would not comment on whether a board so stacked with vested interests should influence his decision on drive-ins, but he did say that he will not go back to the board for its opinion on this subject in future.

"Originally my advice was to put the matter before the board," he says. "My thinking now is that wasn't sound advice." If, or when, the question arises again, he will go back to Cabinet and then to the Films Licensing Authority, he says. If, or when, seemingly depends on our fuel supply.

Everard is still haunted by the drive-in dream. "I certainly consider it unfinished business," he says. "I believe in drive-ins . . . and I'm going to do it."

Apple pies, southern fried chicken and maybe even '55 Chevys would have been a whole lot easier . . . or would they?

Librarians dubious of computer future

by Stephen Bell

AS practitioners of one of the oldest information handling disciplines, librarians might be expected to be keenly aware of the latest advances offered to information processing by computer aid.

The topic of the computer was prominent at last month's New Zealand Library Association conference, but it was felt by some speakers that inadequate attention had been given to it to date and reaction that emerged was by no means all favourable.

A discipline clearly on the brink of a wholesale venture into the computer world – if only to manage the burgeoning flood of information – librarianship seems to be suffering from all the usual fears: will the computer make 'conventional' librarians redundant; will it drastically change the content of their jobs; will they prove trainable to cope with the 'new technology'?

As a far from soothing background to this change is the ever tighter money situation in local government and industry, with the possibility that if librarianship does not prove its usefulness, it will be considered one of the more dispensible resources.

These dual pressures, pointed out speaker Madge Broward, demanded something of a reassessment, an increased visibility for librarians, and the service they offer, and an increased participation by librarians in the 'new technology' debate.

"We have not established our position as an essential part of the information supply", Broward complained. Comment on the information revolution was being left to technicians, trade unionists and others with little practical experience of information handling.

What was needed was less emphasis on the technology, and more on the level of information service and how it could best be provided.

Funding, training and reorganisation to cope with the changes were all urgent needs, she said, but perhaps the first priority was the development of a national information policy.

This would undoubtedly involve New Zealand in the frightening world of database; not only the emerging access to overseas information bases, but the accumulation of a coherent base of locally developed information.

To those who argue that New Zealand libraries were moving too quickly into this "computerised" world, Broward issued a warning that if the movement was not quick, it would be too late.

The lobby of sceptics was well represented, and prepared to point to the artificial novelty and 'glitter' which was so often the chief attraction of the computer-aided service for users.

Broward agreed that the computer did inspire such artificial interest, but, she said, librarians should be using this interest as the thin end of a wedge to push home the benefits of information services in general.

Brian Sturm, of the Reserve Bank came out clearly in favour of the extensive use of computers in librarianship, but placed himself, in the camp of obsession with the technology. His audience was initiated into the mysteries of the detailed bit structure of a PDP-11 and ASCII character codes.

Emerging from Sturm's address were the basic points that computer use was vital and possible for most libraries, and that it would be more appropriate for most to use small stand-alone equipment, or at least distributed processing, rather than abandoning control to a central bureau with the possibility of input-output bottlenecks and low priorities for database intensive work.

Sturm also issued a call for portability of library software systems to reduce development costs.

Audience discussion made it clear that there was still a communications gap between those who market and run the computers and the librarians who are supposed to be taking advantage of them. "I can't find anyone to discuss with me how the machine works", one delegate lamented.

How much Sturm's address added to their knowledge and how much it created further confusion is debatable.

Running as a thread through all discussion of computer-aided information services was the question of value for money.

Practical evaluation of an information service was tackled directly by Nancy Henderson, of Systems Development Corporation, one of the largest American providers of databases.

While some criteria, such as speed of provision of information, topicality and cost sounded quantifiable, she pointed out, they were often less so on closer examination. Some qualities like 'reliability', moreover, were completely nebulous.

A service quality which might be considered desirable by one user, she said, could be considered a detriment by other users or by the operator of the service, particularly if they had to pay dearly.

Any proposed addition to an information service must therefore be weighed carefully, not only before its introduction, but afterwards. Often the snags did not become evident until the facility had been put into practice.

In subsequent discussion of costing, it became clear that the newer, computer-aided services were in many cases now subsidising the printed services, which could no longer operate profitably.

Chronic hardware fault

A PERSISTENT problem seems to have developed in the hardware of the older of ICL's two 2980 processors at Trentham.

No-one from ICL or the State Services Commission' Computer Services Division is willing to go into any detail yet, but CSD general manager Dick Wheeler admits that there has been "increased maintenance activity" on the machine recently.

Word from informed sources is that Trentham will be lent a 2960 processor to tide it over the gap while the 2980 is being repaired; but centre manager Brian Gibson denies knowledge of such a move.

The trouble naturally leads to speculation as to the condition of the microcircuitry in other 2980s round the world. Further, since a number of ICL components are provided by third parties, who also supply to other processor manufacturers, the problem may be even wider.

The Trentham processor was given a hard time when it first arrived being housed in a temporary building so it could still be a problem specific to the one installation, but, in any case, it has taken a long time to show itself.

ICL has promised more details when it has clarified the situation to its own satisfaction.

Road user charge system slips out of gear

by Bob Stott

THERE is little chance that the phasing in of the road user charges system can be completed by the due date of April 1. Heavy vehicle operators are paying at least $20 operators are paying at least $20 million a year less toward roading costs than was planned, and the scheduled rates for the heaviest of vehicles have yet to be reached.

There is no indication when the phasing in of the scheme will be completed. But there are those who believe the scheme must be modified.

The road user charges scheme was announced in the 1977 Budget at the same time that the distance limit on road transport was lifted to 150 kilometres from 64km.

The Budget address said that very heavy vehicles were not paying their due proportion of road costs, while lighter trucks were paying too much.

The Government proposed to introduce a distance charge for all heavy road transport vehicles, which would increase in relation to the laden axle weight of the vehicle.

It said that the Government did not intend to increase the tax burden on the industry as a whole and accordingly, other taxes on heavy vehicles, such as petrol tax, mileage tax, heavy traffic fees, and sales tax would either be abolished or phased down.

The reduction of sales tax would take place in a series of steps. Sales tax on all vehicles other than motor cars and motor cycles would be reduced from 40 per cent to 30 per cent on 1 April, 1978. Sales tax on vehicles with a gross weight exceeding 3.5 tonnes would be reduced from 30 per cent to 20 per cent on April 1, 1979 and further reduced to 10 per cent on April 1, 1980.

To remove road transport industry anomolies, trailers with a gross laden weight exceeding 3.5 tonnes would be charged 10 per cent sales tax, the Budget said.

Distance charge proceeds would be paid to the National Roads' Fund, the magnitude of the charge being set by government and the National Roads Board in relation to the forward roading programme. As an interim measure the Government has provided an additional 1 cent a litre on petrol tax from April 1, 1980 in recognition of the impact of inflation on the Roads Board's programme of works.

It said the Government believed that a major readjustment of funding arrangements for the board would be required.

Things didn't quite turn out as hoped for in July 1977.

Sales tax is being phased down as promised in 1977, and April 1 will see the rate fall to 10 per cent, right on schedule.

Depending on the level of funding required, it was planned that from 42 to 48 per cent of roading revenue should come from heavy vehicles. This percentage was based on the extra costs involved in building and maintaining roads fit to carry such vehicles.

It was further decreed that the maximum increase in road user charges in any one year should not be more than 20 per cent.

So the rates rose 20 per cent on April 1, 1979, and it is anticipated that the new rate will be also the maximum allowable 20 per cent.

A major problem is inflation – in spite of the diversion of sales tax and the increase in the charges rate, in the 1979-80 financial year the income from the charges is less than the estimated cost imposed on the roading system by heavy vehicles. The shortfall is around $20 million.

The Budget idea to tilt the charges scale between heavier and lighter trucks to reach a more equitable level has made no real progress, once again partly because of inflationary pressures.

The charges scheme has not failed because the road transport industry as a body has always claimed to be willing to meet its fair share of roading costs . . . even though it argues as to what's fair.

The administrators who designed the scheme said they were producing a blueprint which would eliminate inequalities, then existing, and which would give the National Roads' Board a more predictable income.

The scheme can be brought into line simply by raising the 20 per cent per annum limit. Whether that's politically desirable is another matter . . . and there may be some who'll claim that it is not in the national interest to do this anyway.

The relationship between road and rail transport will remain distorted for some time to come.

Assuming that road transport is in the red to the tune of $20 million a year that is the shortfall in road user charges collection rates.

At the same time the railways in the year to March 31, 1979 made an operating loss of $47.3 million. The balance of the loss, that is $23.5 million, comprised interest charges, mostly for money borrowed by NZR to tide them over the four year long freeze of rail rates and charges which was nothing to do with rail.

So road has a deficit of $20 million and rail one of $47.3 million. If we allow the railways to stop all passenger services, both long distance and suburban, rail's deficit would in 1979 have reduced to $8.8 million ($17 million for suburban rail, $2.3 million for suburban road and $19.2 million for long distance rail).

Road is currently losing more money than rail, and in fact if the $12.7 million lost on rail branchlines last year was also taken into account, rail made a surplus – and road was still in the red by $20 million plus.

The 1977 Budget address said that "with the extension of competition between road and rail, it is clearly important to ensure that the heavier trucks, which are most competitive with rail, are paying their share of roading costs . . ."

This is not happening, even though the trucks were given increased freedom to compete. The very trucks which are best fitted to compete with rail are the ones benefiting most because of not only the overall shortfall but also the lack of "tilt" introduced in the charges.

If the charges were suddenly brought into line, the increase in fees payable by the big rigs would of course be passed on to the customer, who might then find that a competing rail service was the better buy.

But the fee increase would affect not just the trucks competing with rail – it would also hit trucks carting where there is no rail option, particularly those serving the farming industry.

Marketing

Zap sales effect fizzles with summer showers

by Bellada Gillespla

SALES of Zap, the Dairy Board's long-life answer to Coke and other best-selling bubblies, are aot as effervescent as it makers had hoped.

All beverage sales are down, claims the Dairy Board.

The unseasonable summer weather has taken its toll of Zap along with the rest of the soft-drink market where the flavoured milk would like to make its niche.

Ray Pottinger, general manager of Coca Cola Bottlers Wellington Ltd, said soft drink makers are upset about *Zap because it is promoted* and sold as a soft drink, but is not subject to sales tax.

With turnover figures for the quarter still to be compiled, he had no comment on soft drink sales over the summer except to say he suspected that sales were down both because of the bad weather and the 20 per cent *imposed* last year.

The Dairy Board confirmed retail reports that sales of the large 500 ml Zap pack were particularly slow — suggesting that consumers were going for Zap as a one-off fun drink, but that it is not something to be taken home for family consumption.

In future, the board will produce more of the 250 ml packs at its Takanini plant, and cut back on the larger size.

But all things considered, the new product "had performed as well as could be expected."

Research had showed that more than 80 per cent of the target market had tried the product by mid-January, and most would be in for a second *round*.

Having gone through the launching and promotion, Zap had fought for its share of the beverage market, and "got it without question," according to Dairy Board spokes person.

The fears of milk vendors who claimed their livelihoods were by Zap have no basis, he said.

"The likely effect of flavoured milk is to make milk per se more desirable, and to increase white milk sales overall."

As for the environmentalists, the Dairy Board regards its biodegradable packages as better than the cans and bottles of the carbonated beverages with which *it claims to compete*.

Comparison with recyclable milk bottles is not appropriate because as Zap, its makers have frequently pointed out, is not a serious drink like milk but a "fun" drink in every way except for the fizz.

With milk moving more into "consumer presentations" in the future, putting Zap on the market had been a "textbook operation, researched hard all the way".

The market was extended out to Coromandel and Northland during the summer. But this was simply "following Aucklanders out of their area".

There are no immediate plans to extend the market further, although the possibility of going nation-wide remains.

According to an Auckland report, Zap's long-life properties may have had a kick-back not anticipated by the Dairy Board.

Some retailers are stacking Zap on the shelves instead of in their refrigerators — and Zap must be thoroughly chilled to be palatable, its makers admit.

There is also a suggestion that the chocolate flavour of the long-life milk is *less* acceptable than its Australian fresh-milk counterpart.

New South Wales "Moove" gave milk a new personality and pushed *fresh* milk sales up by 2.3 million litres overall.

Although Zap advertising is on Australian lines, it has not achieved an equally dramatic turnaround in milk sales which were reported to have claimed 30 per cent of the soft drink market.

Meanwhile, the long-awaited report of the caucus committee on milk is expected to appear early in March.

Members of the committee who were expected to report last year, had had difficulty in getting together to finalise the report, which is now in draft form.

Zap got a long start on the committee, whose report will cover UHT, flavoured and cartoned milk, along with other aspects of the industry.

Publishing

World magazine authority to share expertise

JOE Hanson, foremost magazine publishing expert, will visit New Zealand next month.

Fourth Estate Newspapers Ltd, publishers of *National Business Review*, is flying Hanson in from the United States to hold an intensive one-day seminar for magazine managements and advertising agency personnel on April 16.

The invitation was prompted by the attendance of Fourth Estate executives Reg Birchfield and Ian Grant at the International Periodical Publishers' Conference in Oslo in May last year, where Hanson was a principal speaker.

"If we had any doubts about going so far to hear about developments in magazine publishing, they evaporated when we heard Joe Hanson," says Birchfield.

"Hanson had his finger on the pulse of periodical publishing internationally and knows exactly how the new technology is going to provide opportunities for publishers."

Grant adds: "We went to Oslo well aware that a publication's potential was much more than subscription and advertising sales, but Hanson really opened our eyes to the profitable extensions to magazine publishing — and we're sure he'll do the same for publishers and editors here."

Joe Hanson is the leading international expert on magazine developments and trends, and publishers of *Folio*, the United States magazine of magazine management.

The April 16 seminar sponsored by *National Business Review*, will be of particular interest to magazine management, editorial/design personnel and advertising agency executives involved in media selection.

Seminar sessions during the day — that will run from 10am to 3.30 pm — will look at the revival of American and international magazine publishing, its successful response to electronic media in the advertising arena, and the growth and profit opportunities to be shared by magazine management and advertisers.

Joe Hanson is very much a man who practises what he preaches. Only 25 per cent of *Folio's* income comes from subscriptions and advertising; most comes from the other activities — books, tapes, seminars, reports, consultancy services — he offers his highly specialised readership.

As Hanson says, it is now dawning on publishers, as their marketing expertise grows, that a subscriber is a consumer who can be persuaded to spend more than his/her subscription price each year.

Medium for media

THE first issue of *Media Times* — a monthly tabloid newspaper — made its appearance in December and was mailed out on a complimentary basis. There was no issue planned for January but the February issue will be available from news stands.

"We see our audience as the total communications industry," a spokesman for the publishers, Financial Times Associates said.

"In the past, no single sector of the industry has been able to generate sufficient news to support a journal but, though we are pioneering to some extent, we believe there is a need for a specialised publication which will cover the whole field."

There had been an encouraging reception to the first issue, evidenced by advertising support and subscriptions received, the spokesman said.

Till now, NBR has been one of the few business journals to give serious treatment to news in the advertising, marketing and communications fields.

Admen move into China

THE Chinese connection looms pretty importantly in the minds of two multi-national agencies.

Ogilvy & Mather claims to be the first agency to place hard business from China in a foreign company. McCann-Erickson claims to be the first United States agency system to be invited to extend its operations into the peoples republic.

Now comes the news that two further Chinese advertising corporations, Peking Advertising Corporation and Guandong Advertising Corporation, have ... McCann's will ... primary international ... system in the Uni...

The benefits of su... could extend to New ... Fred Dobbs, ... Dobb-Wiggins ... Mc... Erickson, expects ... company will soon ... position to provide ... keting services of his ... New Zealand-based ... officially represe... Chinese marke...

Wine

Mixed bag of wine samples skew test results

by Belinda Gillespie

OUR wines are improving, — according to one report on wine quality — yet they are of poor average quality, according to another.

So how does the Department of Health reconcile the data it is receiving?

The DSIR has tested wine for several years.

Three recent reports have been published — two in 1976 and one last year. These dealt with the composition of white wines, the composition of reds and rosés and the composition of experimental wines from the Te Kauwhata wine research station.

The red and white wine reports were updated in two technical papers published in *"Food Technology in New Zealand"* last year.

Max Robertson, one of the authors, has been quoted as saying that "studies over recent years seemed to indicate that wine quality was moving in the right direction".

But the latest DSIR tests, also carried out at the request of the Health Department, showed that the average level of grape juice of bagged wines was unsatisfactory. Sixty reds and whites were tested, covering most bagged wines now on the market.

Previous results published have related to samples from wines entered in the national competitions over the years. But the latest survey was commissioned by the Health Department in response to the Brother Dominic furore. And for the first time, it analysed wines at the lower end of the market — mainly bagged wines, but also a few in bottles and carafes, where these were sold under the same brand name as those in boxes.

The aim was to identify the quality of the cheaper, previously untested wines.

The samples taken from entries in wine competitions over the years have shown gains in quality, particularly last year when few of the wines tested showed signs of having been watered, but cheaper wines showed considerable evidence of watering.

Details of the tests remain a secret among the staff of the DSIR, the Department of Health and the winemakers.

Section 25 of the Food and Drug Act states that information on samples procured under the Act may be supplied only to the person from whom the sample was obtained.

Section 27 makes it an offence for an officer not to "maintain the secrecy of all matters which come to his knowledge in the performance of his official duties under this section".

Previous reports published by the DSIR, generally some time after the tests have been carried out, do not give details such as brand name and manufacturer. Any report on the latest wine-in-bag tests is likely to be similarly reticent.

Waikato University chemists have come up with a new technique for measuring the amount of water added to wine.

They claim that their preliminary survey of a random sample of commercial wines showed that the watering of wine was common practice.

Using different methods, the DSIR surveys have also looked at the levels of natural grape juice in wine.

The Waikato method compares the level of heavy isotopes of oxygen and hydrogen in grape juice with the level in wine. If the two are similar, there is no added water.

The DSIR method looks at other parameters of grape juice which are not changed through fermentation, and with which unwatered wine should equate.

The method detects "gross watering" and is accurate only down to 5 or 10 per cent.

For 18 months, a sub-committee of the Food Standards Committee has been drafting new regulations for wine. A draft of the proposed regulations was sent out to interested parties for comment last year, and a report is now being prepared by the sub-committee members, Alex Corban, Max Robertson and Dr R Eschenbruch.

George Gair . . . Institute approach

Recent publicity has pinpointed the need for new regulations, and prompted the deputation by members of the Wine Institute to Health Minister George Gair in the hope that the new regulations could be brought in before the next vintage.

The "Brother Dominic" episode particularly highlighted the need to tighten provision 232 in the food and drug regulations which relates to "other alcoholic drinks" — a catch-all for various drinks for which no standard is prescribed in the regulations, and which previously covered only a few cocktail-type drinks not in great popular demand.

As it is, the regulation permits such drinks to contain "specified colouring substances, permitted flavouring substances, sugar, carbon dioxide, and any other foodstuffs. It shall be labelled immediately below the name of the drink, in the main portion of the label, with a statement of the approximate percentage of alcohol in the drink."

Drinks in the 232 category, in plain language, may be everything which wine should not be. But the appearance of Brother Dominic, a wine-like drink without some of the essential attributes of wine, has thrown the regulation in a new light.

Tighter labelling requirements and a requirement for more information on the composition, in particular, are felt necessary by those involved in formulating the regulations.

Golden drop excels connoisseur's dream

by Frank Thorpy

THERE is wine and wine.

The other day in Syracuse, New York, 20 guests who had each paid $1500 for the privilege, sat down to a tasting of the most expensive and certainly one of the rarest wines in the world, an 1806 Chateau Lafite Rothschild. Wine merchant Charles Mara had paid $28,000 for the bottle at a Heubleim auction of rare wines in Chicago last May.

Owning a bottle of rare wine and never tasting it "is like having a Rembrandt and facing it to the wall," said Mara who donated the $1500 entrance fees to the Arthritis Foundation.

Before opening the wine, connoisseurs said that they would be amazed if the 174-year-old wine was drinkable, the chances were slim. Even the proud owner was sceptical.

The lavish meal included mussels with mushrooms and quail stuffed with pheasant.

Anticipation grew as one of the experts carefully drew the cork. Immediately his face lit up "there's fruit here", which meant of course that it was not vinegar for which the guests had paid $1500 each.

Mara had the honour of the first taste. Eagerly watched as he lowered the glass from his lips, his eyes widened and all he could say was "I am amazed".